

Jiangling Motors Corporation, Ltd.



2018 Half-year Report

2018-040

Chapter I Important Notes, Contents and Abbreviations

Important Note

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

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

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

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

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

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

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Abbreviations:

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

Chapter II Brief Introduction

1. Company's information

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

2. Contact person and method

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

3. Other

I. Contact methods

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

Applicable Not Applicable

There is no change of registered address, headquarter address, postal code, website and e-mail. Please refer to 2017 Annual Report for details.

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

Applicable Not Applicable

There is no change of newspapers for information disclosure, website designated by CSRC for publication of JMC's Half-year Report and place for achieving Half-year Report. Please refer to 2017 Annual Report for details.

4. Main accounting data and financial ratios

Unit: RMB '000

	Reporting period (2018 first half)	Same period last year	Change (%)
Revenue	14,287,497	15,666,476	-8.80
Profit Attributable to the Equity Holders of the Company	318,951	552,903	-42.31
Net Cash Generated From Operating Activities	-906,818	-899,401	-0.83
Basic Earnings Per Share (RMB)	0.370	0.640	-42.31
Diluted Earnings Per Share (RMB)	0.370	0.640	-42.31
Weighted Average Return on Equity Ratio	2.72%	4.36%	Down 1.64 percentage points
	At the end of reporting period	At the end of the previous year	Change (%)
Total Assets	23,232,394	26,383,761	-11.94
Shareholders' Equity Attributable to the Equity Holders of the Company	10,615,058	12,572,402	-15.57

5. Accounting data difference between domestic and foreign accounting standards

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Chapter III Business Profile

1. Company's core business during the reporting period

JMC's core business is production and sales of commercial vehicles, SUV and related components. JMC's major products include JMC series light truck, heavy duty trucks, pickup, Light Bus, Yusheng SUV, Ford-brand commercial vehicles and sports utility vehicles, including Ford-brand Light Bus, Ford brand MPV. The Company also produces engines, castings and other components.

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 the support of advanced technology and leader status on the Light commercial vehicle market, JMC also is a pioneer of domestic automobile industry that provides excellent products and solutions for intelligent logistics. JMC had been ranked among the top hundred global corporations with the most valuable brand for consecutive years, and is a national high-tech enterprise, national innovative pilot enterprise, a national enterprise technology centre, national industrial design centre, national intellectual property model enterprise, quality management advanced enterprise, national automobile export base which improve the Company's core business competence.

With the support from Ford's advanced technology and management experience, JMC's influence over auto industry is improving steadily, making considerable progress both in new product development and technical equipment on the traditional business. Series of new products such as premium Yuhu MCA, N800HP, upgrade Kaiyun (4D30/Stg. V), classical Yuhu and Kairui EV launched further improved JMC's competence on R&D and manufacturing, JMC has been certificated as the first a model enterprise that produce vehicular networking products which network with beidou system, a self-develop GPS in China. And JMC's patent for invention, a method of analyzing RE relationship between the vehicle and parts, won the 19th Chinese Patent Excellence Award. The first JMC-brand heavy truck, Jiangling Weilong, won 2018 China's Annual Truck Award and the Most Potential Heavy Truck Award, fully showed JMC's leading technology and self-innovation capability in commercial vehicle field. High standard Xiaolan manufacturing site continues to expand modern plants of vehicle, engine and frame, it will further ensure JMC's products production and quality improvement. Through the construction of Fushan new energy base, JMC will provide more new energy vehicles and take a solid foundation of sustainable and healthy development.

While continuing to consolidate traditional advantages and keep pace with the new situation of international and domestic industry development, JMC continue to explore new business domain and innovative business models. In terms of new technology exploration, the Company cooperates with top domestic autonomous driving companies in R&D and use the self-driving function of mass production commercial vehicles to achieve project goals and carry out innovation in specific scenarios. JMC participated in the global intelligent driving competition, and explored the mass production plan of ADAS and demonstration plan of automatic driving. In terms of new business model exploration, the Company has reached strategic cooperative partnership with the international Internet cargo transport platform and domestic new energy transport capacity service platform, and explored new business cooperation models and the analysis and application of the Internet and big data. This lays the foundation for the Company's strategic vision to transform itself into the "best partner for mobility and smart logistics solutions".

Chapter IV Business Operation Discussion and Analysis

1. Summary

In the first half of 2018, China's economy keeps steadily growth, and China's automotive market continues to keep slightly growth. Total sales volume was 14.07 million units, increased 5.57% than 2017 first half.

During the reporting period, to cope with more severe competition, more stringent regulatory requirement and intensifying cost pressures, the Company focused on quality improvement, new product development, operating cost control and production efficiency enhancement. Simultaneously, the Company introduced series of sales policy to respond the market risk. In the first half of 2018, JMC achieved sales volume of 147,354 units, decreased 4.16% compared with the same period last year, achieved revenue of RMB 14.287 billion, decreased 8.80% compared with the same period last year, achieved net profit of RMB 0.319 billion, decreased 42.31% compared with the same period last year. It mainly reflected the decline of passenger vehicle sales during the adjustment period and the changes in product mix, the increasing promotion expenses to cope with the fierce market competition, and the continuous growing expenditures in new product and technology development. In the first half, the Company achieved a good start in the field of electrification transformation. Kairui EV, JMC's first electric light truck, has driven the Company's strategic alliance with a number of well-known domestic enterprises on strength of high range, low energy consumption, connectivity feature, high quality, comfort and safety performance. A total of 5,100 units Kairui EV order for year 2018 was received short after its launch. The Company has taken a solid step toward shaping a smart logistics ecosystem.

2. Core business analysis

Year-over-Year Changes of Main Financial Data

Unit: RMB'000

	2018 1H	2017 1H	YOY change (%)	Reason
Revenue	14,287,497	15,666,476	-8.80	
Cost of sales	12,277,724	12,371,957	-0.76	
Distribution costs	452,934	1,270,477	-64.35	Due to the effect of implementing IFRS 15 -- Revenue from Contracts with Customers since January 1, 2018, and this affects the presentation between income statement accounts and does not actually affect the net profit.
Administrative expenses	1,139,448	1,193,666	-4.54	
Finance Income-net	103,392	125,900	-17.88	
Income tax expense	27,404	62,435	-56.11	Due to the operating profit decrease.
Research and Development Expenditure	820,752	860,424	-4.61	
Net cash generated from operating activities	-906,818	-899,401	-0.83	
Net cash used in investing	-442,747	-282,756	-56.58	Cash increase in the

activities				purchase of fixed assets
Net cash used in financing activities	-2,000,548	-6,118	-32,599.38	Due to the payment of 2017 interim special dividends.
Net increase/(decrease) in cash and cash equivalents	-3,350,113	-1,188,275	-181.93	Due to the payment of 2017 interim special dividends and cash increase in the purchase of fixed assets

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

Applicable Not Applicable

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

Main Business Structure:

	Turnover (RMB '000)	Cost (RMB '000)	Gross Margin (RMB '000)	Y-O-Y turnover change	Y-O-Y cost change	Y-O-Y gross margin change
By Industry						
Automobile Industry	14,157,872	12,158,290	14.12%	-8.61%	-0.39%	-7.09%
By Products						
Vehicle	12,753,388	11,136,749	12.68%	-10.15%	-1.34%	-7.80%
By Region						
China	14,157,872	12,158,290	14.12%	-8.61%	-0.39%	-7.09%

3. Non-core business analysis

Applicable Not Applicable

Unit:RMB'000

	Amount	Proportion of total profits	Explanation	Sustainability(Y/N)
Non-operating revenue	155,624	44.93%	Due to the support funds provided by government	Y

4. Analysis of assets and liabilities

I. Major changes

Unit: RMB'000

Asset item	June 30, 2018		December 31, 2017		YOY	Major Changes Explanation
	Amount	Proportion (%)	Amount	Proportion (%)	Proportion change(%)	
Property, plant and equipment	6,659,992	28.67	6,714,088	25.45	3.22	
Inventories	2,348,117	10.11	2,339,304	8.87	1.24	
Trade and other receivables and prepayments	4,925,270	21.20	4,555,934	17.27	3.93	
Cash and cash equivalents	7,787,610	33.52	11,137,723	42.21	-8.69	

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

Unit: RMB'000

Project Name	Investment method/source	Fixed Assets (Y/N)	Spending in the first half of 2018 (RMB mils)	Investment accumulated (RMB mils)	Progress	Index
Fushan Plant	Self-funded	Y	115,345	115,361	6%	Announcement of this project(NO:2017-044) was published in the website http://www.cninfo.com.cn
Total	--	--	115,345	115,361	--	--

IV. Financial assets investment

a. Stock investment

Applicable Not Applicable

b. Derivative investment

Applicable Not Applicable

6. Sale of major assets and equity

I. Sale of major assets

Applicable Not Applicable

II. Sale of major equity

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Name of Companies	Type of Companies	Main business	Registered Capital	Assets	Net Assets	Turnover	Operating Profit	Net Profit
Jiangling Motors Sales Corporation, Ltd	Subsidiary	Sales vehicle, service parts	50,000,000	4,563,798,498	187,951,647	12,343,315,461	-84,733,435	-63,674,289
JMC Heavy Duty Vehicle Co., Ltd	Subsidiary	Product heavy commercial vehicle , engine, component, and related service	281,793,174	2,355,155,295	-466,164,322	144,853,549	-158,940,478	-138,797,971

8. Structured entities controlled by JMC

Applicable Not Applicable

9. Forecast of business performance in the first nine months of 2018.

Applicable Not Applicable

10. Challenges and solutions

In 2018, the Company will continue to face fiercer competition, more stringent regulatory requirements, intensifying cost pressures and a slowdown in China's economic growth. To achieve steady growth, the Company will continue to focus on the following aspects:

- i. Optimizing Company's production system to improve efficiency and product quality;
- ii. Optimizing dealer network and marketing spending to improve market share;
- iii. Improve suppliers' capability and parts quality; continue to reduce parts purchasing cost;
- iv. Strengthening corporate governance and application of appropriate risk assessment and control mechanisms;
- v. Sustaining the expense management and control to optimize the business structure;
- vi. Optimize and execute the Company's growth strategies to pursue sustainable and healthy growth.

The Company will continue to optimize cost structure, improve production efficiency, mitigate management cost as well as focus on new product development to deliver the launch quality and cost target through process and working group that have been set up. With the support from technical partners, the Company continues to promote new product development and R&D ability improvement, to accelerate the progress of launching new competitive and profitable products to the market and speed up the exploration and development of heavy truck to enhance the company's influence on commercial vehicles. Meanwhile, the Company will devote to strengthening dealer network, expanding overseas market and parts business.

Chapter V Major Events

1. Annual and special shareholders' meeting

I. Shareholders' meeting during the reporting period

Number	Name	Investors Attending Percentage (%)	Meeting Date	Announcement Date	Announcement Index
1	2018 First Special Shareholders' Meeting	77.59	Feb 06, 2018	Feb 07, 2018	Number 2018-008 published on the website www.cninfo.com.cn .
2	2017 Annual Shareholders' Meeting	76.91	June 26, 2018	June 27, 2018	Number 2018-028, published on the website www.cninfo.com.cn .

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

Applicable Not Applicable

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

Applicable Not Applicable

The Company planned that neither cash dividend nor stock dividend was distributed, and not to convert capital reserve to share capital for the first half of 2018.

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

Applicable Not Applicable

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

4. Appointment or dismissal of accounting firm

Whether the 2018 half-year report is audited?

Yes No

JMC 2018 half-year report is not audited.

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

Applicable Not Applicable

6. Explanation of the board of directors to abnormal opinions from accounting firm in 2017

Applicable Not Applicable

7. Related matters regarding bankruptcy

Applicable Not Applicable

The Company did not go bankrupt during the reporting period.

8. Litigation or arbitration

Significant litigation or arbitration

Applicable Not Applicable

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

Other litigation

Applicable Not Applicable

9. Punishment

Applicable Not Applicable

The Company have not been punished by regulatory authorities.

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

Applicable Not Applicable

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

Applicable Not Applicable

12. Major related transactions

I. Routine operation related party transactions

Applicable Not Applicable

Transaction Parties	Content	Relationship	Pricing Principle	Settlement Method	Amount (RMB'000)	As % of Total Purchases/ Revenue
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Raw materials purchase	Associate of JMCG	Contracted price	Prepayment	464,830	4.29
Jiangxi Jiangling Chassis Co., Ltd.	Parts and components purchase	Subsidiary of JMCG	Contracted price	60 days after delivery and invoicing	464,265	4.29
Ford and subsidiaries of Ford	Parts and components purchase	Controlling shareholder of JMC and subsidiaries of Ford	Contracted price	D/P & T/T	450,143	4.16
Jiangxi Jiangling Special-Purpose Vehicle Co., Ltd.	Parts and components purchase	Wholly-owned subsidiary of JMCG	Contracted price	30 days after delivery and invoicing	397,028	3.67
GETRAG (Jiangxi) Transmission Company	Parts and components purchase	Associate of JMCG	Contracted price	60 days after delivery and invoicing	395,455	3.65
Nanchang Jiangling Hua Xiang Auto Components Co., Ltd.	Parts and components purchase	Joint venture of JMCG	Contracted price	60 days after delivery and invoicing	244,473	2.26
Jiangling-Lear Interior system Co., Ltd.	Parts and components purchase	Joint venture of JMCG	Contracted price	60 days after delivery and invoicing	234,271	2.16
Jiangxi Jiangling Motors Imp. and Exp. Co., Ltd.	Sales	Associate of JMCG	Contracted price	40% of prepayment and the remains paid during 30 days after delivery	566,065	3.96

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

Applicable Not Applicable

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

III. Related party transaction concerning outside co-investment

Applicable Not Applicable

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

IV. Related credit and debt

Applicable Not Applicable

Is there non-operating related credit and debt?

Yes No

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

V. Other major related party transactions

Applicable Not Applicable

The balance amount of bank deposit of the Company in JMCG Finance Company as of June 30, 2018 was RMB 861,476 thousand. The Board of Directors reviewed and approved JMCG Finance Company Continuous Risk Assessment Report. Please refer to the website www.cninfo.com.cn for the original of the report which was published on August 29, 2018.

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

Applicable Not Applicable

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

14. Major contracts and execution

I. Entrustment, contract or lease

a. Entrustment

Applicable Not Applicable

There was no entrustment during the reporting period.

b. Contract

Applicable Not Applicable

There was no contract during the reporting period.

c. Lease

Applicable Not Applicable

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

Project earns more than 10% of net profit.

Applicable Not Applicable

II Major guarantee

Applicable Not Applicable

The Company had no outside guarantee during the reporting period.

III. Other important contracts

Applicable Not Applicable

There was no other important contract during the reporting period.

15. Corporation social responsibilities

I. Environmental protection

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

Yes No

Main Pollutants	Emission Ways	Emission Outlet Number	Emission Outlet Distribution	Emission Concentration	Emission Standard	Emission Amount	Emission Standard Amount	Meet Standard or Not
Wastewater (COD, NH-N)	continuous discharge	6	3 in Mainsite, 1 in Xiaolan Site, 1 in Cast Plant and 1 in Axle Plant	"COD:99mg/L NH-N:26.1mg/L"	"Wastewater Discharge Standard"(GB 8978-1996)	COD: 96.67t, NH-N : 3.148t	COD≤843.34t, NH-N≤21.72t	Meet Standard
Exhaust gas (SO ₂ , NO _x , smoke, toluol, dimethylbenzene, NMHC)	continuous discharge	125	51 in Mainsite, 35 in Xiaolan Site, 33 in Cast Plant and 6 in Axle Plant	SO ₂ : 353mg/m ³ , NO _x : 104mg/m ³ , solid: 73.1mg/m ³ , toluol : 0.497mg/m ³ , dimethylbenzene: 0.19mg/m ³ , NMHC: 32.7mg/m ³ "	"The Emission Standard of Air Pollutants", "Emission Standard of Air Pollutants for Boiler" (GB 13271-2014)	SO ₂ : 11.12t, NO _x : 7.76t	SO ₂ ≤93.01t, NO _x ≤60.91t	Meet Standard

The construction and operation of environmental protection facilities

Since 2006, JMC has invested more than RMB 30 million to construct seven wastewater treatment stations (including the wastewater treatment station in the east plant area and Xiaolan wastewater treatment station), with the treatment capacity as high as 9,000t/d. The treated wastewater reached the national discharge standard. In 2018, the company plans to renew and upgrade the equipment of wastewater treatment station in frame factory, and enhance the treatment capacity to ensure the treated wastewater will reach the national discharge standard.

For up-to-standard emission of waste gases, JMC has taken new control measures over the years. In 2012, the Company invested RMB 10 million to reconstruct the cupola furnace in the casting plant. In 2013, Xiaolan Branch invested RMB 14 million to install a TNV waste gas incinerator. In 2014, JMC invested RMB 14.6 million to construct the boiler coal-gas-switch project in the south district. In 2017, the casting plant reconstructed the ventilation & dust removal system for the smelting furnace in the large-size and middle & small-sized parts workshop, and installed efficient environmental-friendly dust removal equipment, effectively reducing the environmental pollution by dust. In 2018, the casting plant add electric furnace dust collectors in the large-size part workshop, and reconstruct the sand shakeout & dust removal system for KW moulding line , reducing the environmental pollution.

For noise reduction, JMC took different measures to reduce the environmental impact, such as increase of protective sound-proof doors & windows, establishment of noise enclosure for air blower, installation of muffler and

transformation of sound-proof doors & windows. All these measures can make sure up-to-standard discharge of noise at the plant boundary.

In the process of waste management, JMC managed from the source, and divided the generation of wastes. JMC established a temporary storage yard for solid wastes. Warning graphic symbols have been posted at the temporary storage site of hazardous wastes. Besides, signboards have been provided as well, so as to remind the passer-by of probable hazards in the storage process of hazardous wastes. In 2017, JMC invested RMB500 thousand to extend Xiaolan storage yard for solid wastes. In 2018, the Company plans to establish a storage yard for iron scurf and wastes in the Frame Plant, and reconstruct the garbage station in the Engine Plant.

EIA on construction project and other administrative permits for environmental protection

The Company strictly implements the construction project environmental impact assessment system. With respect to new construction, expansion and reconstruction, JMC comprehensively planned environmental protection and evaluated the “Three Simultaneities”. From the source of design, JMC carried out the philosophy of energy saving and low carbon all the time. The Company carries on the environmental monitoring every year according to the requirements, ensures the pollutant discharge meeting the requirements of discharge permit, formulates the stricter internal control target, and strives to reduce the impact of environmental pollution to the minimum. In 2018, JMC has received EIA approval of renovating new energy vehicle project in Qingyunpu plant and setting up new energy testing laboratory project .

Emergency plan on emergency environmental incidents

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

Environmental self-monitoring scheme

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

Other information related to environmental protection

JMC paid high attention to environmental protection and pollution source control, taking resource saving and cost reduction as the primary task. Moreover, the

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

II. One-to-one poverty alleviation

a. Plan on one-to-one 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 one-to-one poverty alleviation in the first half

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

c. Status of targeted measures in poverty alleviation

Item	Unit	Amount/Progress
I. Brief Introduction	—	—
including: 1. Funding	RMB ('000)	66
2. Sum converted from the materials	RMB ('000)	17.6
II. Investments	—	—
1. Anti-poverty depending on industry development	—	—
2. Anti-poverty depending on employment transfer	—	—
3. Anti-poverty depending on relocation	—	—
4. Anti-poverty depending on education	—	—
including: 4.1 Grants in aid to poor students	RMB ('000)	13.6
4.2 Poor students in aid	Persons	179
5. Health Anti-poverty	—	—
6. Ecological protection anti-poverty	—	—
7. Miscellaneous provisions	—	—
8. Social anti-poverty	—	—
8.1 Investments on one-to-one anti-poverty	RMB ('000)	56.3
9. Other	—	—
III. Awards	—	—

d. On-going plan on one-to-one poverty alleviation

In 2018, with the help of JMCG and instruction from the government, JMC will lift 2 people from 2 families in Xianting Village out of poverty, pay visit and adopt targeted poverty-alleviation measures to 22 registered poor families. At the same time, JMC will fund poverty alleviation through education by upgrading the existing Xianting primary school into a modern rural primary school to provide a sound learning environment to students in Xianting primary school.

16. Other major events

Applicable Not Applicable

JMC received government incentives about RMB 160 million appropriated by Nanchang City Qingyunpu District, Nanchang County Xiaolan Economic & Technological Development Zone, Nanchang City wanli District and shanxi Comprehensive reform demonstration Zone during the reporting period, which is to support JMC's development.

17. Major event of JMC subsidiary

Applicable Not Applicable

Chapter VI Share Capital Changes & Shareholders

1. Changes of Shareholding Structure

I. Changes of shareholding structure

	Before the change		Change (+, -)					After the change	
	Shares	Proportion of total shares (%)	New shares	Bonus Shares	Reserve-converted shares	Others	Subtotal	Shares	Proportion of total shares (%)
I. Limited tradable A shares	906,855	0.10	-	-	-	-120,015	-120,015	786,840	0.09
1. Other domestic shares	906,855	0.10	-	-	-	-120,015	-120,015	786,840	0.09
Including:									
Domestic legal person shares	785,940	0.09	-	-	-	-	-	785,940	0.09
Domestic natural person shares	120,915	0.01	-	-	-	-120,015	-120,015	900	
II. Unlimited tradable shares	862,307,145	99.90	-	-	-	120,015	120,015	862,427,160	99.91
1. A shares	518,307,145	60.05	-	-	-	120,015	120,015	518,427,160	60.06
2. B shares	344,000,000	39.85	-	-	-	-	-	344,000,000	39.85
III. Total	863,214,000	100.00	-	-	-	-	-	863,214,000	100.00

Causes of shareholding changes

Applicable Not Applicable

During the past three years as of June 30, 2018, the Company did not issue shares and derivative securities. JMC's total number of shares remained unchanged. The change in shareholding structure was caused by the trading restriction on limited A shares of 120,000 shares held by Mr. Jiang Xiangwei was relived on May 23, 2018.

Approval of changes of shareholding structure

Applicable Not Applicable

Shares transfer

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

II. Changes of limited tradable shares

Applicable Not Applicable

Shareholder Name	Initial Limited Tradable A Shares	Rescission of the Limited Tradable A Shares in the Period	Increase of Limited Tradable A Shares in the Period	Final Limited Tradable A Shares	Reason for Trading Restriction	Trading Restriction Relief Date
Jiang Xiangwei	120,000	120,000	0	0	Legal person shares before Full Circulatory Share Reform	May 23, 2018
Total	120,000	120,000	0	0	--	--

2. Securities issuance and listing

Applicable Not Applicable

3. Shareholders and shareholding status

Total shareholders (as of June 30, 2018)	JMC had 32,528 shareholders, including 27,100 A-share holders, and 5,428 B-share holders.					
Top ten shareholders						
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Change (+,-)	Shares with Trading Restriction	Shares due to mortgage or frozen
Jiangling Motor Holding Co., Ltd.	State-owned legal person	41.03	354,176,000	0	0	0
Ford Motor Company	Foreign legal person	32	276,228,394	0	0	0
China Securities Corporation Limited	Other	2.63	22,743,584	0	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0	0
Shanghai Gao Yi Asset Management Partnership (L.P.)	Other	1.02	8,800,000	8,800,000	0	0
Central Huijin Investment Ltd.	State-owned legal person	0.83	7,186,600	0	0	0
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign legal person	0.68	5,848,450	0	0	0
GAOLING FUND,L.P.	Foreign legal person	0.63	5,439,086	0	0	0
TEMPLETON DRAGON FUND,INC.	Foreign legal person	0.56	4,836,708	0	0	0
INVESCO FUNDS SICAV	Foreign legal person	0.58	5,035,746	0	0	0
Notes on association among above-mentioned shareholders	None.					
Top ten shareholders holding unlimited tradable shares						
Shareholder Name	Shares without Trading Restriction			Share Type		
Jiangling Motor Holding Co., Ltd.	354,176,000			A share		
Ford Motor Company	276,228,394			B share		
China Securities Corporation Limited	22,743,584			A share		
Shanghai Automotive Co., Ltd.	13,019,610			A share		
Shanghai Gao Yi Asset Management Partnership (L.P.)	8,800,000			A share		
Central Huijin Investment Ltd.	7,186,600			A share		
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	5,848,450			B share		
GAOLING FUND,L.P.	5,439,086			B share		
INVESCO FUNDS SICAV	5,035,746			B share		
TEMPLETON DRAGON FUND,INC.	4,836,708			B share		
Notes on association among above-mentioned shareholders	None.					

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

Yes No

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

4. Change of controlling shareholders or actual controlling parties

Change of controlling shareholders

Applicable Not Applicable

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

Change of actual controlling parties

Applicable Not Applicable

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

Chapter VII Preferred Shares

Applicable Not Applicable

JMC have no preferred shares during the reporting period.

Chapter VIII Directors, Supervisors and Senior Management

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

Applicable Not Applicable

There was no change of shares held by Directors, Supervisors and senior management in the reporting period. Please refer to 2017 annual report for details.

2. Changes of directors, supervisors and senior management

Applicable Not Applicable

Name	Position	Status	Date	Reason
Ding Wenmin	VP	Appointed	Jan 01, 2018	
Gong Yuanyuan	CFO	Leave	August 01, 2018	Work rotation
Li Weihua	CFO	Appointed	August 01, 2018	
Zhu Shuixing	VP	Leave	August 16, 2018	Resign from the vice president position for the personal reasons

Chapter IX Company Bond

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

Yes No

Chapter X Financial Statements

JIANGLING MOTORS CORPORATION, LTD.

**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30
JUNE 2018**

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2018#	2017#
Revenue	5	14,287,497	15,666,476
Taxes and surcharges		(368,792)	(544,622)
Cost of sales	6	(12,277,724)	(12,371,957)
Gross profit		1,640,981	2,749,897
Distribution expenses	6	(452,934)	(1,270,477)
Administrative expenses	6	(1,139,448)	(1,193,666)
Impairment charge of non-current assets		(3,607)	(3,347)
Other income	8	195,360	203,584
Operating profit		240,352	485,991
Finance income	9	106,654	127,903
Finance expenses	9	(3,262)	(2,003)
Finance income-net	9	103,392	125,900
Share of profit of investments accounted for using the equity method	15b	2,611	3,447
Profit before income tax		346,355	615,338
Income tax expense	10	(27,404)	(62,435)
Profit for the period		318,951	552,903
Profit attributable to:			
Owners of the Company		318,951	552,903
Total comprehensive income for the period		318,951	552,903
Total comprehensive income attributable to:			
Owners of the Company		318,951	552,903
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB per share)			
- Basic and diluted	11	0.37	0.64

#Unaudited financial indexes

The notes on pages 32 to 82 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts in thousands of RMB unless otherwise stated)

	Note	As at	
		30 June 2018#	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	12	6,659,992	6,714,088
Lease prepayment	13	609,047	616,834
Intangible assets	14	191,924	197,860
Investments accounted for using the equity method	15b	40,485	37,874
Other non-current assets		-	478
Deferred income tax assets	16	669,949	690,253
Total non-current assets		<u>8,171,397</u>	<u>8,257,387</u>
Current assets			
Inventories	17	2,348,117	2,339,304
Trade and other receivables and prepayments	18	4,925,270	4,555,934
Cash and cash equivalents	19	7,787,610	11,137,723
Assets classified as held for sale	20	-	93,413
Total current assets		<u>15,060,997</u>	<u>18,126,374</u>
Total assets		<u>23,232,394</u>	<u>26,383,761</u>

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts in thousands of RMB unless otherwise stated)

	Note	As at	
		30 June 2018#	31 December 2017
EQUITY			
Share capital	21	863,214	863,214
Share premium		816,609	816,609
Other reserves	22	450,914	450,914
Retained earnings		8,484,321	10,441,665
Total equity		10,615,058	12,572,402
LIABILITIES			
Non-current liabilities			
Borrowings	23	3,683	3,851
Deferred income tax liabilities	16	26,408	26,736
Retirement benefit obligations	24	51,959	54,764
Provisions for warranty and other liabilities	25	180,628	184,688
Other non-current liabilities		200	240
Total non-current liabilities		262,878	270,279
Current liabilities			
Financial liabilities at fair value through profit or loss		1,578	8,493
Trade and other payables	26	12,161,438	13,222,540
Current income tax liabilities		35	114,906
Borrowings	23	433	428
Retirement benefit obligations	24	4,420	4,420
Provisions for warranty and other liabilities	25	186,554	190,293
Total current liabilities		12,354,458	13,541,080
Total liabilities		12,617,336	13,811,359
Total equity and liabilities		23,232,394	26,383,761

#Unaudited financial indexes

The notes on pages 32 to 82 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Attributable to owners of the Company				Total Equity#
		Share capital	Share premium	Other reserves	Retained earnings	
Balance at 1 January 2017		863,214	816,609	452,126	10,277,287	12,409,236
Profit for the six months		-	-	-	552,903	552,903
Dividends relating to 2016		-	-	-	(526,560)	(526,560)
Balance at 30 June 2017		863,214	816,609	452,126	10,303,630	12,435,579
Balance at 1 January 2018		863,214	816,609	450,914	10,441,665	12,572,402
Profit for the six months					318,951	318,951
Dividends relating to 2017	27				(2,276,295)	(2,276,295)
Balance at 30 June 2018		863,214	816,609	450,914	8,484,321	10,615,058

#Unaudited financial indexes

The notes on pages 32 to 82 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2018#	2017#
Cash flows from operating activities			
Cash generated from operations	28	(791,761)	(733,272)
Interest paid		(151)	(158)
Income tax paid		(114,906)	(165,971)
Net cash generated from operating activities		(906,818)	(899,401)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(3,462,000)	-
Purchase of property, plant and equipment ("PPE")		(572,583)	(407,102)
Other cash paid relating to investing activities		(13,354)	(3,886)
Proceeds from disposal of PPE	28	2,569	2,097
Proceeds from repayment of financial assets at fair value through profit or loss		3,462,000	-
Investment income received		10,202	-
Interest received		129,686	120,666
Other cash received from investing activities		733	5,469
Net cash used in investing activities		(442,747)	(282,756)
Cash flows from financing activities			
Repayments of borrowings		(207)	(5,226)
Dividends paid to shareholders of the Company		(1,999,237)	(892)
Other cash paid relating to financing activities		(1,104)	-
Net cash used in financing activities		(2,000,548)	(6,118)
Net decrease in cash and cash equivalents		(3,350,113)	(1,188,275)
Cash and cash equivalents at beginning of year		11,137,723	11,666,222
Effects of exchange rate changes		-	-
Cash and cash equivalents at end of period	19	7,787,610	10,477,947

#Unaudited financial indexes

The notes on pages 32 to 82 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

1 General information

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

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

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

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

As at 30 June 2018, the total number of issued shares of the Company is 863,214,000 shares, which are all listed on the Shenzhen Stock Exchange, the PRC.

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

These consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

JIANGLING MOTORS CORPORATION, LTD.

**FOR THE SIX MONTHS ENDED 30 JUNE 2018
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

- IFRS 15 Revenue from contracts with customers

The Group assessed the effects of applying the new standard on the Group's financial statements and no significant impact identified except for the reclassification from distribution expenses as a deduction of revenue. No retrospective adjustments are required.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 16 Leases

Nature of change

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The Group only have operating leases and the leased assets and the lease arrangement have no significant impact on financial statement.

Date of adoption by the Group

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

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

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

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

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

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

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

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.4 Segment Reporting

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

2.5 Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

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

2.7 Lease prepayment

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Intangible assets

(1) Goodwill

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

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

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

(2) Research and development

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

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

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

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

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(3) Computer software

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

(4) Non-patent technology

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

2.9 Impairment of non-financial assets

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

2.10 Non-current assets held-for-sale

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

2.11 Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2018
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(1) Classification (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'other income/(expense)-net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'gains and losses from investment securities'.

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

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2 Summary of significant accounting policies (continued)

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

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets

(1) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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2 Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(2) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling prices in the ordinary course of business, less applicable variable distribution expenses.

2.15 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11(2) for further information about the Group's accounting for trade receivables and Note 2.13 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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2 Summary of significant accounting policies (continued)

2.17 Share capital

Share capital consists of “A” and “B” shares.

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

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

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

2.20 Borrowing costs

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

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

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

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2 Summary of significant accounting policies (continued)

2.20 Borrowing costs (continued)

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

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

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(1) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the PRC. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(2) Deferred income tax

Inside basis differences

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

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2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(2) Deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

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

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

(3) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(1) Pension obligations

The Group contributes on a monthly basis to a defined contribution retirement scheme managed by the PRC government. The contribution to the scheme is charged to profit or loss as and when incurred. The Group's obligations are determined at a certain percentage of the salaries of the employees.

In addition, the Group provides supplementary pension subsidies to certain qualified employees. Such supplementary pension subsidies are considered as under defined benefit plans. The liability recognised in the statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for recognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows according to the terms of the related pension liability.

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2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(1) Pension obligations (continued)

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

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

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

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

(2) Housing fund and other benefits

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

(3) Bonus entitlement

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2.23 Provisions

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

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

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

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2 Summary of significant accounting policies (continued)

2.24 Revenue recognition

An entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (that is, an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. A customer obtains control of a good or service if it has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service.

(1) Sales of goods

The Group recognises revenue when the goods is transferred to the customer and customer obtain control of the goods. Consistent with industry practices, the Group provides the credit period to the customer and there is no significant financing component. The Group provides quality warranty to the customer, and recognises as a liability.

The Group provides sales discounts to dealers, the revenue is recognised on a net amount after deducting the estimated discount based on historical experience.

(2) Rental income

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

(3) Rendering of services

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

2.25 Interest income

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

2.26 Leases

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

2.27 Dividend distribution

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

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2 Summary of significant accounting policies (continued)

2.28 Government grants

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

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

Risk management is carried out by Finance Department under policies approved by the Board of Directors.

(1) Market risk

(a) Foreign exchange risk

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

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

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 30 June 2018, if RMB had strengthened/weakened by 10% against USD with all other variable held constant, the Group's net profit for the year then ended would have been approximately RMB21,910,000 (2017: RMB20,650,000) higher/lower.

As at 30 June 2018, if RMB had strengthened/weakened by 10% against Euro with all other variable held constant, the Group's net profit for the year then ended would have been approximately RMB6,761,000 (2017: RMB9,263,000) higher/lower.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2018, a large portion of its bank deposits and all of its borrowings were at fixed rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 30 June 2018, if the interest rate of the Group's bank deposits had been increased/decreased by 10% and all other variables were held constant, the Group's net profit for the year then ended would have been increased/decreased by approximately RMB8,019,000 (2017: RMB19,352,000).

(2) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents and trade and other receivables.

As at 30 June 2018, the Group had cash of approximately RMB861,476,000 (2017: RMB1,120,806,000) deposited in Jiangling Motor Group Finance Company ("JMCF"), which is a non-bank financial institution and a subsidiary of JMCG (Note 19). The Group's other bank deposits are mainly deposited in state-owned banks or other listed banks. Management believes all these financial institutions have high credit quality without significant credit risk.

All the Group's trade and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limit and terms are reviewed on periodic basis, and the financial department is responsible for such monitoring procedures. In determining whether provision for impairment is required, the Group takes into consideration the aging status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks is minimal as all customers are existing ones or related parties and have no default in the past and adequate provision for impairment, if any, has been made in the financial statements after assessing the collectability of individual debts. Further quantitative disclosures in respect of the impairment of trade and other receivables are set out in Note 18.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(3) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Finance Department. Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 23) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2018				
Bank borrowings				
- Principals	433	433	1,300	1,950
- Interests	60	54	122	73
Financial liabilities at fair value through profit or loss	1,578	-	-	-
Trade and other payables	11,339,878	-	-	-
	<u>11,341,949</u>	<u>487</u>	<u>1,422</u>	<u>2,023</u>
At 31 December 2017				
Bank borrowings				
- Principals	428	428	1,284	2,139
- Interests	63	56	130	88
Financial liabilities at fair value through profit or loss	8,493	-	-	-
Trade and other payables	12,636,400	-	-	-
	<u>12,645,384</u>	<u>484</u>	<u>1,414</u>	<u>2,227</u>

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.

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3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios at 30 June 2018 and 31 December 2017 were as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Total borrowings	4,116	4,279
Total equity	10,615,058	12,572,402
Total capital	<u>10,619,174</u>	<u>12,576,681</u>
Gearing ratio	<u>0.04%</u>	<u>0.03%</u>

3.3 Fair value estimation

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

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

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

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables and financial liabilities including trade and other payables, borrowing, approximate their fair values due to their short maturities. The book values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

4 Critical accounting estimates and judgements

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

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

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4 Critical accounting estimates and judgements (continued)

(1) Impairment of long term assets

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

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

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

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

(2) Taxation

The Group is subject to various taxes in the PRC, including corporate income tax, value added tax and consumption tax. Significant judgment is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initial recorded, such differences will impact the tax provisions in the period 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 30 June 2018, the Group recorded the deferred tax assets of approximately RMB669,949,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised mainly for temporary differences arising from accrued expenses and retirement benefit obligations.

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4 Critical accounting estimates and judgements (continued)

(3) Provisions

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

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

(4) 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 need 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 relevant accounting period.

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.

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6 Expenses by nature

	Six months ended 30 June	
	2018	2017
Changes in inventories of finished goods and work in progress	(53,018)	162,825
Raw materials and consumables used	10,727,511	11,127,866
Employee benefit expense (Note 7)	1,118,958	1,042,529
Depreciation of PPE (Note 12, 28)	438,714	397,762
Repairs and maintenance expenditure on PPE	52,752	43,305
Research and development expenditure	801,059	852,674
Amortisation of lease prepayment (Note 13, 28)	7,787	7,787
Amortisation of intangible assets (Note 14, 28)	7,199	5,527
Provision of warranty	123,718	150,360
Others	639,313	1,023,595
Total cost of sales, distribution expenses and administrative expenses	<u>13,863,993</u>	<u>14,814,230</u>

For the six months ended 30 June 2018, depreciation of PPE of approximately RMB 24,383,000 (the six months ended 30 June 2017: RMB 24,788,000) and amortisation of intangible assets of approximately RMB 18,615,000 (the six months ended 30 June 2017: RMB 12,642,000) were included in research and development expenditure.

Impairment charge for trade and other receivables of approximately RMB 918,000 (the six months ended 30 June 2017: RMB 2,207,000) and impairment charge for inventories of approximately RMB 5,195,000 (the six months ended 30 June 2017: RMB 19,663,000), which were included in administrative expenses, were not included in expenses by nature.

7 Employee benefit expense

	Six months ended 30 June	
	2018	2017
Wages and salaries	812,503	748,104
Social security costs	109,307	98,055
Pension costs – defined contribution plans	138,023	129,990
Others	59,125	66,380
	<u>1,118,958</u>	<u>1,042,529</u>

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

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

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8 Other income

	Six months ended 30 June	
	2018	2017
Government grants (a)	159,254	205,468
Others	36,106	(1,884)
	<u>195,360</u>	<u>203,584</u>

- (a) For the six months ended 30 June 2018, the Group received grants of approximately RMB 159,254,000, mainly from Finance Bureau of Nanchang Qingyunpu District and Wanli District, Economic Development District Administrative Commission of Xiaolan, Comprehensive Reform Demonstration District of Shanxi Province. These government grants were income related to support the Group's operation and were charged to profit or loss directly up received.

9 Finance income and expenses

	Six months ended 30 June	
	2018	2017
(a) Finance income		
Interest income on bank deposits	95,632	121,328
Interest income on credit sales	11,022	6,575
	<u>106,654</u>	<u>127,903</u>
(b) Finance expenses		
Interest expense on bank loans	(107)	(114)
Bank charges and others	(3,155)	(1,889)
	<u>(3,262)</u>	<u>(2,003)</u>
Net finance income	<u>103,392</u>	<u>125,900</u>

10 Taxation

- (a) Corporate income tax ("CIT")

As the Company is qualified as a high-tech enterprise and approved by the relevant tax authorities in 2015, the Company is entitled to a preferential CIT rate of 15% from 2015 to 2017. The application of the authorised certificate of High-Tech Enterprise is in progress pursuant to the relevant PRC tax rules and regulations. The CIT rates of JMC Heavy Duty Vehicle Co., Ltd. ("JMCH") and Jiangling Motor Sales Co, Ltd. ("JMCS") and Shenzhen Fujiang NEV Sales Co., Ltd., the subsidiaries of the Company, are 25%.

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

	Six months ended 30 June	
	2018	2017
Current tax	7,428	84,376
Deferred tax (Note 16)	19,976	(21,941)
	<u>27,404</u>	<u>62,435</u>

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10 Taxation (continued)

(a) Corporate income tax ("CIT") (continued)

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

	Six months ended 30 June	
	2018	2017
Profit before tax	346,355	615,338
Tax calculated at tax rates applicable to profits in the respective companies	29,341	70,822
Tax concessions	(69)	(28)
Expenses not deductible for tax purposes	297	361
Income not subject to tax	(48,106)	(40,650)
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	10,116	10,849
Utilisation of previously temporary differences for which no deferred income tax asset was recognised	(1,764)	(2,391)
Tax losses for which no deferred income tax asset was recognised	37,589	23,472
Tax charge	<u>27,404</u>	<u>62,435</u>

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10 Taxation (continued)

(b) Value-added tax (“VAT”)

Output VAT is levied at a general rate of 16% on the selling price of goods from 1 May 2018. Pursuant to “The Announcement of VAT Rate Adjustment” (Cai Shui [2018] 32) jointly issued by the Ministry of Finance and the State Administration of Taxation, from 1 May 2018, the original applicable tax rate of 17% was adjusted to 16%, the applicable tax rate of real estate rental income is 10%

(c) Consumption Tax (“CT”)

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

11 Earnings per share

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

	Six months ended 30 June	
	2018	2017
Profit attributable to shareholders of the Company	318,951	552,903
Weighted average number of ordinary shares in issue ('000)	863,214	863,214
Basic earnings per share (RMB)	0.37	0.64

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2018.

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12 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Electronic and other equipment	Assets under constructions	Total
At 1 January 2017							
Cost	1,865,850	3,526,187	262,667	2,206,895	2,862,436	1,100,860	11,824,895
Accumulated depreciation and impairment	(373,449)	(1,787,948)	(123,898)	(1,399,618)	(1,450,760)	(692)	(5,136,365)
Net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Year ended 31 December 2017							
Opening net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Additions	-	-	-	-	-	921,700	921,700
Transfers	230,556	517,758	33,133	220,145	320,019	(1,321,611)	-
Disposals	(370)	(351)	(4,562)	-	(617)	-	(5,900)
Classified as held for sale	(5,777)	-	-	-	-	-	(5,777)
Other deductions	-	(4,817)	-	-	(433)	(22,265)	(27,515)
Impairment charge	-	(8,061)	(352)	-	(3,021)	(416)	(11,850)
Depreciation charge	(47,385)	(223,833)	(30,926)	(224,991)	(317,965)	-	(845,100)
Closing net book amount	1,669,425	2,018,935	136,062	802,431	1,409,659	677,576	6,714,088
At 31 December 2017							
Cost	2,084,217	3,954,028	280,071	2,411,080	3,137,100	678,684	12,545,180
Accumulated depreciation and impairment	(414,792)	(1,935,093)	(144,009)	(1,608,649)	(1,727,441)	(1,108)	(5,831,092)
Net book amount	1,669,425	2,018,935	136,062	802,431	1,409,659	677,576	6,714,088
Six months ended 30 June 2018							
Opening net book amount	1,669,425	2,018,935	136,062	802,431	1,409,659	677,576	6,714,088
Additions	-	-	-	-	-	415,891	415,891
Transfers	6,597	15,646	2,518	91,317	39,797	(155,875)	-
Other transfer	2,966	5,948	29,085	3,871	112,607	-	154,477
Disposals	(56)	(398)	(1,035)	-	(436)	(7)	(1,932)
Other deductions	-	(147,436)	(1,324)	-	(6,820)	(248)	(155,828)
Impairment charge (Note 28)	-	(1,321)	(24)	-	(1,907)	(355)	(3,607)
Depreciation charge (Note 6, 28)	(25,747)	(122,149)	(18,285)	(122,931)	(173,985)	-	(463,097)
Closing net book amount	1,653,185	1,769,225	146,997	774,688	1,378,915	936,982	6,659,992
At 30 June 2018							
Cost	2,093,702	3,814,674	307,183	2,501,879	3,254,054	938,029	12,909,521
Accumulated depreciation and impairment	(440,517)	(2,045,449)	(160,186)	(1,727,191)	(1,875,139)	(1,047)	(6,249,529)
Net book amount	1,653,185	1,769,225	146,997	774,688	1,378,915	936,982	6,659,992

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12 Property, plant and equipment (continued)

For the six months ended 30 June 2018, depreciation expense of approximately RMB 404,610,000 (the six months ended 30 June 2017: RMB 367,960,000) has been charged in cost of sales, RMB 1,568,000 (the six months ended 30 June 2017: RMB 1,349,000) in distribution costs and RMB 56,919,000 (the six months ended 30 June 2017: RMB 53,241,000) in administrative expenses.

Lease rental expenses amounting to RMB 4,072,000 (the six months ended 30 June 2017: RMB 4,419,000) relating to the lease of property are included in profit or loss.

13 Lease prepayment

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Opening net book amount	616,834	632,408
Additions	-	-
Amortisation charge (Note 6, 28)	<u>(7,787)</u>	<u>(15,574)</u>
Closing net book amount	<u>609,047</u>	<u>616,834</u>
Cost	751,626	751,626
Accumulated amortisation	<u>(142,579)</u>	<u>(134,792)</u>
Net book amount	<u>609,047</u>	<u>616,834</u>

Amortisation expense was charged in administrative expenses.

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14 Intangible assets

	Non-patent technology	Software	Goodwill	After-sale management model	Other	Total
Year ended 31 December 2017						
Opening net book amount	115,893	38,797	3,462	-	8	158,160
Addition	58,010	22,265	-	-	-	80,275
Amortisation charge	(27,347)	(13,220)	-	-	(8)	(40,575)
Closing net book amount	146,556	47,842	3,462	-	-	197,860
At 31 December 2017						
Cost	182,597	120,282	89,028	36,978	1,649	430,534
Accumulated amortisation and impairment	(36,041)	(72,440)	(85,566)	(36,978)	(1,649)	(232,674)
Net book amount	146,556	47,842	3,462	-	-	197,860
Six months ended 30 June 2018						
Opening net book amount	146,556	47,842	3,462	-	-	197,860
Addition	19,693	248	-	-	-	19,941
Disposals	-	(63)	-	-	-	(63)
Amortisation charge (Note 6, 28)	(18,025)	(7,789)	-	-	-	(25,814)
Closing net book amount	148,224	40,238	3,462	-	-	191,924
At 30 June 2018						
Cost	202,289	120,112	89,028	36,978	1,649	450,056
Accumulated amortisation and impairment	(54,065)	(79,874)	(85,566)	(36,978)	(1,649)	(258,132)
Net book amount	148,224	40,238	3,462	-	-	191,924

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14 Intangible assets (continued)

- (a) For six months ended 30 June 2018, amortisation expense of approximately RMB 25,356,000 (the six months ended 30 June 2017: RMB 17,690,000) was charged in administrative expenses, RMB 288,000 (the six months ended 30 June 2017: RMB 309,000) in cost of sales and RMB 170,000 (the six months ended 30 June 2017: RMB 170,000) in distribution costs.
- (b) Development costs of approximately RMB 19,693,000 (the six months ended 30 June 2017: RMB 7,751,000) were capitalised as non-patent technology by the Group during the six months ended 30 June 2018.
- (c) Impairment test for goodwill

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

	31 December 2017	Addition	Impairment	30 June 2018
JMCH	<u>3,462</u>	<u>-</u>	<u>-</u>	<u>3,462</u>

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

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

Item	JMCH
Compound annual volume growth rate	135%
Long term growth rate	3%
Discount rate	19.40%

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

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

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15a Subsidiaries

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

Entity	Place and date of incorporation	Percentage of equity interest held	Principal activities
JMCH	Taiyuan, PRC / 8 January 2013	100%	Manufacture and sale of automobiles and spare parts
JMCS	Nanchang, PRC / 11 October 2013	100%	Sale of automobiles and spare parts
Shenzhen Fujiang NEV Sales Co., Ltd.	Shenzhen, PRC / 3 May 2018	100%	Sale of automobiles and spare parts

As at May 2018, the Group set up Shenzhen Fujiang NEV Sales Co., Ltd. with a capital contribution of RMB 10,000,000, which is a wholly-owned subsidiary of the Group.

15b Investments accounted for using the equity method

(a) Summarised financial information for immaterial associate

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

	30 June 2018	31 December 2017
Associate	40,485	37,874

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

	Six months ended 30 June	
	2018	2017
Share of profit	2,611	3,447

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

(b) Reconciliation of summarised financial information for immaterial associates

	Six months ended 30 June	
	2018	2017
At beginning of the year	197,774	208,317
Profit for the year	13,634	18,000
Dividends distributed	-	-
At end of the period	211,408	226,317
Interest in associate	19.15%	19.15%
Carrying value	40,485	43,340

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16 Deferred income tax

	<u>30 June 2018</u>	<u>31 December 2017</u>
Deferred tax assets	780,370	757,877
Deferred tax liabilities-can be offset	(110,421)	(67,624)
Deferred tax liabilities-cannot be offset	<u>(26,408)</u>	<u>(26,736)</u>
Deferred tax assets-net	669,949	690,253
Deferred tax liabilities-net	<u>(26,408)</u>	<u>(26,736)</u>

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
At beginning of the year	663,517	527,105
Credited to profit or loss (Note 10(a))	(19,976)	136,008
Credited to other comprehensive income (Note 10(a))	-	404
At end of the period	<u>643,541</u>	<u>663,517</u>

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

	Provision for impairment of assets	Retirement benefits obligation	Accrued expenses	Amortization of nonpatented technology	Others	Total
Deferred tax assets						
At 1 January 2017	7,586	14,094	567,486	1,087	646	590,899
Credited/(charged) to profit or loss	4,563	(955)	155,901	3,418	3,647	166,574
Credited to other comprehensive income	-	404	-	-	-	404
At 31 December 2017	12,149	13,543	723,387	4,505	4,293	757,877
Credited/(charged) to profit or loss	58	(421)	(82,922)	2,253	103,525	22,493
Credited to other comprehensive income	-	-	-	-	-	-
At 30 June 2018	<u>12,207</u>	<u>13,122</u>	<u>640,465</u>	<u>6,758</u>	<u>107,818</u>	<u>780,370</u>

	Amortisation of intangible assets	PPE depreciation	Fair value gains	Forward exchange contracts	Total
Deferred tax liabilities					
At 1 January 2017	(4,696)	(30,434)	(27,383)	(1,281)	(63,794)
Credited / (charged) to profit or loss	1,151	(33,645)	647	1,281	(30,566)
At 31 December 2017	(3,545)	(64,079)	(26,736)	-	(94,360)
(Charged) /credited to profit or loss	(188)	(42,609)	328	-	(42,469)
At 30 June 2018	<u>(3,733)</u>	<u>(106,688)</u>	<u>(26,408)</u>	<u>-</u>	<u>(136,829)</u>

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16 Deferred income tax (continued)

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	19,240	17,453
- Deferred tax asset to be recovered within 12 months	761,130	740,424
	<u>780,370</u>	<u>757,877</u>
	<u>30 June 2018</u>	<u>31 December 2017</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(124,514)	(90,097)
- Deferred tax liabilities to be recovered within 12 months	(12,315)	(4,263)
	<u>(136,829)</u>	<u>(94,360)</u>

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Deductible temporary differences	107,587	114,642
Tax losses	570,451	420,977
	<u>678,038</u>	<u>535,619</u>

The expiry years of the tax losses are as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
2018	44,319	44,319
2019	36,772	36,772
2020	72,470	72,470
2021	115,820	115,820
2022	150,713	151,596
2023	150,357	-
	<u>570,451</u>	<u>420,977</u>

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17 Inventories

	<u>30 June 2018</u>	<u>31 December 2017</u>
Raw materials	1,522,639	1,566,589
Work in progress	258,892	208,981
Finished goods	566,586	563,734
	<u>2,348,117</u>	<u>2,339,304</u>

For the six months ended 30 June 2018, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB10,674,493,000 (the six months ended 30 June 2017: RMB11,290,691,000).

A provision of approximately RMB44,374,000 (2017: RMB45,130,000) was made as at 30 June 2018. The Group reversed approximately RMB2,266,000 of a previous inventory write-down in 2018. In 2018, the Group wrote-off inventories with provision of approximately RMB5,951,000 made in prior years. The provision and reversal of the inventory write-down have been included in administrative expenses in profit or loss.

As at 30 June 2018, no inventory was pledged as security for liabilities.

18 Trade and other receivables and prepayments

	<u>30 June 2018</u>	<u>31 December 2017</u>
Trade receivables	2,661,638	2,328,135
Less: Provision for impairment of trade receivables	(22,125)	(21,016)
Trade receivables – net	<u>2,639,513</u>	<u>2,307,119</u>
Notes receivables	855,005	654,335
Other receivables	85,201	131,617
Less: Provision for impairment of other receivables	(426)	(658)
Other receivables – net	<u>84,775</u>	<u>130,959</u>
Prepayments	1,288,352	1,384,304
Interest receivables	57,625	79,217
	<u>4,925,270</u>	<u>4,555,934</u>

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

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

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18 Trade and other receivables and prepayments (continued)

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
At beginning of the year	(21,674)	(16,373)
Provision for receivables impairment (Note 28)	(918)	(5,301)
Receivables written off during the year as uncollectible	41	-
At end of the year	<u>(22,551)</u>	<u>(21,674)</u>

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

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19 Cash and cash equivalents

	<u>30 June 2018</u>	<u>31 December 2017</u>
Cash at bank and in hand	1,137,610	2,046,999
Short-term bank deposits (a)	6,650,000	9,090,724
	<u>7,787,610</u>	<u>11,137,723</u>

As at 30 June 2018, the Group had cash of approximately RMB861,476,000 (2017: RMB1,120,806,000) deposited in JMCF (Note 31 (h)). The interest rates range from 1.495%-2.25% per annum (2017: 1.495% to 2.25%). JMCF, a non-bank financial institution, is a subsidiary of JMCG.

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

20 Assets classified as held for sale

	<u>30 June 2018</u>	<u>31 December 2017</u>
Lease prepayment and buildings of Transit plant	-	93,413

As at 26 March 2015, under the authorisation from the Board of Directors, the Company signed an agreement of "state-owned land reserves" with Nanchang Land Reserve Centre (the "agreement"). According to the agreement, the Company sold its land use right and buildings of Transit plant, with a consideration of RMB135,000,000 to Nanchang Land Reserve Centre, the transaction completed in the first half year of 2018

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(All amounts in thousands of RMB unless otherwise stated)

21 Share capital

	Number of shares (thousands)	Tradable shares		"B" shares	Total
		"A" shares			
		Restricted	Non-restricted		
Year ended 31 December 2017					
Balance at 1 January 2017	863,214	1,726	517,488	344,000	863,214
Transfer	-	(819)	819	-	-
Balance at 31 December 2017	863,214	907	518,307	344,000	863,214
Six months ended 30 June 2018					
Balance at 1 January 2018	863,214	907	518,307	344,000	863,214
Transfer	-	(120)	120	-	-
Balance at 30 June 2018	863,214	787	518,427	344,000	863,214

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

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

After the implementation of the share reform scheme on 13 February 2006, 787,000 shares were still restricted as at 30 June 2018.

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22 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
At 1 January 2017	431,607	18,627	1,892	452,126
Other comprehensive income -Remeasurements of retirement benefit obligation, net of tax	-	-	(1,212)	(1,212)
At 31 December 2017	431,607	18,627	680	450,914
Other comprehensive income -Remeasurements of retirement benefit obligation, net of tax	-	-	-	-
At 30 June 2018	431,607	18,627	680	450,914

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

As the balance of the statutory surplus reserve fund has reached 50% of the Company's share capital, no further appropriations to the statutory surplus reserve fund were provided for the six months ended 30 June 2018

23 Borrowings

	<u>30 June 2018</u>	<u>31 December 2017</u>
Current		
Bank borrowings - guaranteed (a)	433	428
Non-current		
Bank borrowings - guaranteed (a)	3,683	3,851
Total borrowings	<u>4,116</u>	<u>4,279</u>

- (a) Bank borrowings of USD622,000 (equivalent to approximately RMB4,116,000) (2017: USD655,000, equivalent to approximately RMB4,279,000) were guaranteed by JMCF (Note 31 (c)).

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

The fair value of borrowings approximates their carrying values.

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23 Borrowings (continued)

The maturity of non-current borrowings is as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Between 1 and 2 years	433	428
Between 2 and 5 years	1,300	1,284
Over 5 years	1,950	2,139
	<u>3,683</u>	<u>3,851</u>

The Group has the following undrawn borrowing facilities:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Fixed rate		
- Expiring within one year	<u>1,519,924</u>	<u>2,113,140</u>

24 Retirement benefits obligations

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Present value of defined benefits obligations	<u>56,379</u>	<u>59,184</u>

The movement of early retirement and supplemental benefit obligations for the year ended 30 June 2018 is as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
At beginning of the year	59,184	58,188
For the year		
-Current service cost	-	1,804
-Interest cost	-	1,951
-Payment	(2,805)	(4,871)
-Past service cost from the change of plan	-	670
-Actuarial loss	-	1,442
At end of the year	<u>56,379</u>	<u>59,184</u>
Current	4,420	4,420
Non-current	<u>51,959</u>	<u>54,764</u>
	<u>56,379</u>	<u>59,184</u>

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Discount rate adopted	—	4.25%
The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post	—	0% to 6%

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24 Retirement benefits obligations (continued)

Based on the assessment and IAS 19, the Group estimated that, at 30 June 2018, a provision of approximately RMB56,379,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB56,379,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB4,420,000 (2017: RMB4,420,000) has been included under current liabilities.

25 Provisions for warranty and other liabilities

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
At beginning of the year	374,981	284,627
Charged for the year	123,703	313,289
Utilised during the year	(131,502)	(222,935)
At end of the period	<u>367,182</u>	<u>374,981</u>

Analysis of total provisions:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Non-current	180,628	184,688
Current	<u>186,554</u>	<u>190,293</u>
	<u>367,182</u>	<u>374,981</u>

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

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26 Trade and other payables

	<u>30 June 2018</u>	<u>31 December 2017</u>
Trade payables	7,954,384	8,603,320
Payroll and welfare payable	285,624	273,666
Dividend payables	284,033	4,969
Other payables	3,637,397	4,340,585
	<u>12,161,438</u>	<u>13,222,540</u>

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

27 Dividends

A special interim dividend for 2017 of RMB2.317 per share, amounting to a total dividend of RMB2,000,067,000 was paid in 2018.

A final dividend for 2017 of RMB0.32 per share, amounting to a total dividend of approximately RMB276,228,000 was proposed at the Board of Directors' Meeting on 22 March 2018, and such dividend is proposed at the Shareholders' Meeting on 26 June 2018.

28 Cash generated from operations

	<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
Profit before tax	346,355	615,338
Depreciation of PPE (Note 6, 12)	463,097	422,550
Amortisation of lease prepayment (Note 6, 13)	7,787	7,787
Amortisation of intangible assets (Note 6, 14)	25,814	18,169
Impairment charges of PPE (Note 12)	3,607	3,347
Provision for receivables impairment (Note 18)	918	2,207
Provision of inventories (Note 17)	5,195	19,663
(Gain)/loss on disposals of PPE	(34,273)	246
Finance expenses	2,879	1,646
Finance income (Note 9)	(106,654)	(127,903)
Net foreign exchange transaction loss	3,219	5,383
Share of profit from investment accounted for using equity method (Note 15b)	(2,611)	(3,447)
Investment income of other investment	(10,202)	-
Investment loss/(gain) of forward exchange contracts	12,620	(1,583)
Changes on fair value of forward exchange contracts	(6,915)	2,590
Changes in working capital:		
- Increase in inventories	(20,248)	(52,548)
- Increase in trade and other receivables	(399,396)	(948,781)
-(Decrease)/ Increase in provisions for warranty	(7,799)	31,812
- Decrease in trade and other payables	(1,072,349)	(727,034)
- Decrease in pensions and other retirement benefits	(2,805)	(2,714)
Cash generated from operations	<u>(791,761)</u>	<u>(733,272)</u>

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28 Cash generated from operations (continued)

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

	Six months ended 30 June	
	2018	2017
Net book amount	95,408	2,161
Gain/(loss) on disposal of PPE	34,273	(246)
Offset with trade and other payables	(127,112)	182
Proceeds from disposal of PPE	<u>2,569</u>	<u>2,097</u>

29 Contingencies

At 30 June 2018, the Group did not have any significant contingent liabilities.

30 Commitments

Capital commitments

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

	30 June 2018	31 December 2017
Contracted but not provided for:		
Purchases of buildings, plant and machinery	<u>991,617</u>	<u>477,482</u>

31 Related party transactions

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

Jiangling Motor Holdings Co. Ltd. ("JMh"), which owns 41.03% of the Company's shares, and Ford Motor Company ("Ford"), which owns 32% of the Company's shares, are major shareholders of the Company as at 30 June 2018. The shareholders of JMh are Chongqing Changan Automobile Corporation Ltd. and JMCG, and both of them hold 50% equity interest of JMh, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, JMh and its subsidiaries and joint venture, Ford and its subsidiaries and joint venture in the ordinary course of business during the six months ended 30 June 2018.

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31 Related party transactions (continued)

For the six months ended 30 June 2018, related parties, other than the subsidiary, and their relationship with the Group are as follows:

Name of related party	Relationship
JMCG	Shareholder of JMH
Jiangxi Jiangling Chassis Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	Subsidiary of JMCG
Nanchang Gear Co.,Ltd.	Subsidiary of JMCG
Jiangxi JMCG Industry Co.,Ltd.	Subsidiary of JMCG
Jiangling Material Co.	Subsidiary of JMCG
Jiangxi Lingrui Recycling Resources Development Corporation	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	Associate of JMCG
Nanchang Hengou Industry Co., Ltd.	Associate of JMCG
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	Associate of JMCG
Nanchang JMCG Skyman Auto Component Co.,Ltd.	Associate of JMCG
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	Associate of JMCG
JMCG Jingma Motors 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 Xincheng Auto Component Co.,Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Nanchang Jiangling Hua Xiang 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
Jiangxi ISUZU Engine Co.,Ltd.	Joint venture of JMCG
Nanchang Yinlun Heat-exchanger Co.,Ltd.	Joint venture of JMCG
Jiangxi ISUZU Co., Ltd.	Joint venture of JMCG
Nanchang Lianda Machinery Co.,Ltd.	Subsidiary of JMCG
Jiangling Aowei Automobile Spare Part Co.,Ltd.	Subsidiary of JMCG
NC.Gear Forging Factory	Subsidiary of JMCG
Jiangxi Biaohong Engine Tappet Co.,Ltd.	Subsidiary of JMCG
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Yicheng Second-hand Motors Sales Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component 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
Changan Ford Automobile Co.,Ltd.	Joint venture of Ford

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31 Related party transactions (continued)

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

Purchase of goods	Six months ended 30 June	
	2018	2017
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	464,830	457,760
Jiangxi Jiangling Chassis Co.,Ltd.	464,265	421,636
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	397,028	326,851
GETRAG (Jiangxi) Transmission Company	395,455	391,606
Ford	301,095	452,439
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	244,473	278,927
Jiangxi Jiangling Lear Interior System Co.,Ltd.	234,271	282,853
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	211,971	234,711
Nanchang Unistar Electric & Electronics Co.,Ltd.	158,560	122,995
Hanon Systems	136,338	120,879
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	89,556	73,564
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	89,486	99,189
Ford Otomotiv Sanayi A.S.	88,410	16,047
JMCG	58,674	50,538
Auto Alliance (Thailand) Co.,Ltd.	53,769	72,011
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	51,150	-
Nanchang JMCG Skyman Auto Component Co.,Ltd.	39,904	31,861
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	34,052	29,077
Jiangxi ISUZU Engine Co.,Ltd.	33,131	-
Nanchang Lianda Machinery Co.,Ltd.	31,963	30,357
Nanchang Yinlun Heat-exchanger Co.,Ltd.	23,536	28,259
Jiangling Material Co.	15,044	14,658
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	13,928	-
Jiangling Aowei Aotomobile Spare Part Co.,Ltd.	13,657	13,956
Nanchang JMCG Xincheng Auto Component Co.,Ltd.	9,717	11,909
Nanchang Gear Co.,Ltd.	7,220	12,040
Changan Ford Automobile Co.,Ltd.	6,869	115,331
NC.Gear Forging Factory	6,829	-
Jiangxi JMCG Industry Co.,Ltd.	5,359	1,355
Jiangxi Biaohong Engine Tappet Co.,Ltd.	3,379	4,042
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	2,248	3,062
Jiangxi Lingrui Recycling Resources Development Corporation	1,932	1,961
Nanchang JMCG Shishun Logistics Co., Ltd.	1,406	-
Others	230	2,546
	<u>3,689,735</u>	<u>3,702,420</u>

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

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

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31 Related party transactions (continued)

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

Purchase of services	Natures of transaction	Six months ended 30 June	
		2018	2017
Ford	Engineering service and design	134,432	148,586
Nanchang JMCG Shishun Logistics Co., Ltd.	Truckage/Transportation	126,082	128,924
Ford Global Technologies, LLC	Royalty fee	94,135	134,653
Ford Otomotiv Sanayi A.S.	Engineering service and design	21,604	32,749
Jiangxi JMCG Industry Co.,Ltd.	Working meal	20,196	15,434
Nanchang Hengou Industry Co., Ltd.	Packing/Truckage	19,944	29,705
Ford	Secondments costs	19,647	16,631
Ford Otomotiv Sanayi A.S.	Secondments costs	10,746	16,652
Ford Otomotiv Sanayi A.S.	Royalty fee	9,877	9,582
Changan Ford Automobile Co.,Ltd.	Channel fee	4,959	-
JMCG Jiangxi Engineering Construction Co., Ltd.	Construction and repair costs	4,012	20,430
Ford Motor (China) Co., Ltd.	Regional personnel costs	3,318	2,847
GETRAG (Jiangxi) Transmission Company	Design and test fee	3,280	644
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business of importation	2,167	1,972
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	Promotion fee	1,959	113
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	1,561	937
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	Promotion fee	1,540	774
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	Design fee	1,315	-

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31 Related party transactions (continued)

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

Purchase of services	Natures of transaction	Six months ended 30 June	
		2018	2017
JMCG Property Management Co.	Afforestation fees and property management	1,083	302
JMH	Secondments costs	687	957
Ford Motor (China) Co., Ltd.	Software and consulting fees	466	3,327
Ford	Market research fees	108	-
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	Experimental manufacturing costs	-	1,145
Hanon Systems	Experimental manufacturing costs	-	2,263
JMH	Royalty fee	-	10,000
Others	Design fee/Warranty fee	922	2,313
		484,040	580,940

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

31 Related party transactions (continued)

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

Sales of goods	Six months ended 30 June	
	2018	2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	566,065	452,175
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	91,265	-
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	61,448	42,953
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	57,568	18,326
Jiangxi Jiangling Chassis Co.,Ltd.	44,476	47,632
JMCG Jingma Motors Co., Ltd.	36,743	39,224
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	35,586	12,823
Jiangxi Lingrui Recycling Resources Development Corporation	29,625	29,891
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	23,602	30,036
JMH	23,080	2,853
Nanchang Hengou Industry Co., Ltd.	22,874	44,199
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	7,707	14,511
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	6,996	9,155
JMCG Property Management Co.	3,191	3,343
Jiangxi JMCG Industry Co.,Ltd.	3,050	3,060
Jiangxi Jiangling Lear Interior System Co.,Ltd.	2,902	3,355
JMCG Jiangxi Engineering Construction Co., Ltd.	1,919	21
Jiangxi ISUZU Co., Ltd.	516	1,009
Others	446	745
	<u>1,019,059</u>	<u>755,311</u>

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

31 Related party transactions (continued)

(b) Rental

Rental cost

Lessor	Category	Rental cost of six months ended 30 June 2018	Rental cost of six months ended 30 June 2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Building	2,136	2,138
JMCG	Building	1,725	2,070
JMCG Property Management Co.	Building	211	211
		<u>4,072</u>	<u>4,419</u>

Rental income

Lessee	Category	Rental income of six months ended 30 June 2018	Rental income of six months ended 30 June 2017
JMH	Building	3	4
GETRAG (Jiangxi) Transmission Company	Building	-	3
		<u>3</u>	<u>7</u>

(c) Guarantee

As at 30 June 2018, bank loans of USD622,000 (equivalent to approximately RMB 4,116,000) (2017:USD655,000, equivalent to approximately RMB4,279,000) were guaranteed by JMCF (Note 23).

(d) Sales of PPE

	Six months ended 30 June	
	2018	2017
Jiangxi JMCG Industry Co.,Ltd.	-	2

(e) Purchase of PPE

	Six months ended 30 June	
	2018	2017
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	5,671	-
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	677	-
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	-	150
	<u>6,348</u>	<u>150</u>

31 Related party transactions (continued)

(f) Key management remuneration

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and members of the Supervisory Board. During the six months ended 30 June 2018, the total remuneration of the key management was approximately RMB7,212,000 (the six months ended 30 June 2017: RMB9,256,000).

(g) Interest received from cash deposit in related parties

	Six months ended 30 June	
	2018	2017
JMCF	9,739	10,098

During the six months ended 30 June 2018, the interest rates range from 1.495% to 2.25% per annum. (the six months ended 30 June 2017: RMB10,098,000)

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

Trade receivables from related parties	30 June 2018	31 December 2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	296,142	171,475
JMH	39,329	170,853
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	29,991	-
JMCG Jingma Motors Co., Ltd.	15,458	8,543
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	13,761	-
Nanchang JMCG Shishun Logistics Co., Ltd.	5,815	14,731
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	2,612	3,765
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	1,311	-
Nanchang Hengou Industry Co., Ltd.	7	1,508
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	-	5,913
Others	957	549
	<u>405,383</u>	<u>377,337</u>
Other receivables from related parties	30 June 2018	31 December 2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	35,073	42,356
Ford	186	5,158
GETRAG (Jiangxi) Transmission Company	-	2,770
Others	639	964
	<u>35,898</u>	<u>51,248</u>

31 Related party transactions (continued)

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

Prepayments for purchasing of goods	30 June 2018	31 December 2017
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	454,727	457,613
Ford Otomotiv Sanayi A.S.	31,779	31,069
	<u>486,506</u>	<u>488,682</u>
Notes receivables from related parties	30 June 2018	31 December 2017
JMCG Jingma Motors Co., Ltd.	33,438	48,491
Prepayments for construction in progress	30 June 2018	31 December 2017
JMCG Jiangxi Engineering Construction Co., Ltd.	2,228	2,231
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	762	572
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	500	500
	<u>3,490</u>	<u>3,303</u>
Prepayments for mould lease	30 June 2018	31 December 2017
Changan Ford Automobile Co.,Ltd.	1,721	11,990
Cash deposit in related parties	30 June 2018	31 December 2017
JMCF	861,476	1,120,806

31 Related party transactions (continued)

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

Trade payables to related parties	30 June 2018	31 December 2017
Jiangxi Jiangling Chassis Co.,Ltd.	347,120	303,148
Jiangxi Jiangling Lear Interior System Co.,Ltd.	315,049	352,627
GETRAG (Jiangxi) Transmission Company	275,770	251,080
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	264,467	262,946
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	257,405	243,796
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	149,256	153,529
Hanon Systems	136,498	135,846
Nanchang Unistar Electric & Electronics Co.,Ltd.	103,587	118,889
Ford	85,513	86,504
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	78,884	209,228
JMCG	71,112	74,918
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	67,733	-
Changan Ford Automobile Co.,Ltd.	63,356	68,221
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	54,569	83,113
Nanchang JMCG Skyman Auto Component Co.,Ltd.	47,993	36,998
Jiangxi ISUZU Engine Co.,Ltd.	38,115	11,714
Nanchang Lianda Machinery Co.,Ltd.	26,837	24,651
Nanchang Yinlun Heat-exchanger Co.,Ltd.	26,782	25,151
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	19,416	30,751
Auto Alliance (Thailand) Co.,Ltd.	15,115	17,000
Jiangling Aowei Aotomobile Spare Part Co.,Ltd.	14,836	17,142
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	12,234	10,490
Nanchang Gear Co.,Ltd.	5,856	7,902
NC.Gear Forging Factory	4,889	-
Nanchang JMCG Xinchun Auto Component Co.,Ltd.	4,423	5,334
Jiangxi JMCG Industry Co.,Ltd.	3,867	2,394
Ford Otomotiv Sanayi A.S.	2,480	29,711
Jiangxi Biaohong Engine Tappet Co.,Ltd.	1,870	2,891
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	1,866	4,009
Nanchang JMCG Shishun Logistics Co., Ltd.	1,422	293
Jiangling Material Co.	1,284	1,002
Jiangxi Lingrui Recycling Resources Development Corporation	1,241	1,712
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	-	1,007
Others	40	-
	<u>2,500,885</u>	<u>2,573,997</u>

31 Related party transactions (continued)

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

Other payables to related parties	<u>30 June 2018</u>	<u>31 December 2017</u>
Ford	153,232	104,814
Ford Otomotiv Sanayi A.S.	124,469	134,059
Ford Global Technologies, LLC	42,510	62,410
JMCG Jiangxi Engineering Construction Co., Ltd.	25,488	36,818
JMH	19,555	30,000
Nanchang JMCG Shishun Logistics Co., Ltd.	12,136	10,751
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	10,951	8,521
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	10,624	-
Nanchang Hengou Industry Co., Ltd.	10,195	3,498
GETRAG (Jiangxi) Transmission Company	9,280	6,309
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	7,561	510
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	4,606	4,860
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	3,861	3,693
Jiangxi Jiangling Lear Interior System Co.,Ltd.	3,649	11,455
Jiangxi JMCG Industry Co.,Ltd.	2,565	1,922
JMCG	1,799	76
Changan Ford Automobile Co.,Ltd.	1,788	2,765
Ford Motor (China) Co., Ltd.	1,685	1,755
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	1,640	484
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	1,342	-
JMCG Property Management Co.	1,124	954
Hanon Systems	45	2,520
Others	1,919	4,159
	<u>452,024</u>	<u>432,333</u>

Advance from related parties	<u>30 June 2018</u>	<u>31 December 2017</u>
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	3,369	694
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	93	294
Others	532	807
	<u>3,994</u>	<u>1,795</u>

(i) Related parties commitments

Capital commitments	<u>30 June 2018</u>	<u>31 December 2017</u>
JMCG Jiangxi Engineering Construction Co., Ltd.	31,768	35,178

Chapter XI Catalogue on Documents for Reference

1. Originals of 2018 Half-year financial statements signed by Chairman, Chief Financial Officer and Chief of Finance Department.
2. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in the first half of 2018.
4. The Half-year Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
August 27, 2018