Jiangling Motors Corporation, Ltd.

2018 Internal Control Self-assessment Report

Reporting date: March**, 2019

To the shareholders of Jiangling Motors Corporation, Ltd.

We have performed self-assessment on the effectiveness of internal control of Jiangling Motors Corporation, Ltd. (hereafter referred as “the Company”) as at 31 December 2018, the reference date, in accordance with the Basic Standard for Enterprise Internal Control together with its Application Guidelines and other regulatory requirements (hereafter referred to as the C-SOX), combined with the internal control policies and assessment methodology on the basis of regular and special internal control inspections.

I. Important Statement of the Board of Directors

The Board of Directors is responsible for the establishment, improvement and effective implementation of internal control policies, the assessment on the internal control status, as well as the disclosure of the self-assessment report on internal control. The Supervisory Board is responsible for supervision over the internal control policies establishment and implementation. The Management is responsible for the implementation of internal control in the daily operations. 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 false statements, misrepresentations or major omissions.

The goals of internal control are to comply with the stated management policies and applicable governmental laws & regulations, to safeguard corporate assets, to protect the truthfulness and completeness of financial information, to enhance the effectiveness and efficiency of operating results so as to carry out the corporate strategies. Because of its inhere limitations, internal control can only provide reasonable assurance to these goals. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

II. Internal Control Self-assessment Conclusion

The Company’s control deficiency identification result shows that no material weakness over financial reporting is identified, as at 31 December, 2018. The Board of Directors believes JMC is compliant with the C-SOX requirements to have maintained effective internal control over financial reporting in all material respects.

The Company's control deficiency identification result shows that no material weakness over non-financial reporting is identified, as at 31 December, 2018.

No factors affecting the effectiveness of internal control occurred between the reference date for the Internal Control Self-assessment Report and the final disclosure date.

III. Internal Control Self-assessment Implementation

1. Self-assessment Scope

A risk oriented method is adopted to determine that Jiangling Motors Corporation, Ltd. (JMC) along with its wholly owned subsidiaries JMC Heavy Duty Vehicle Co. Ltd. (JMCH) and JMC Sales Company, Ltd. (JMC Sales. Co.) are included in the self-assessment scope. The total value of assets and operating revenue of the entities in scope counts for 100% of that disclosed in the consolidated financial statements.

The key areas in scope are: corporate governance structure, development strategy, institutional setting, responsibilities and accountabilities, human resources policies, enterprise culture, social responsibility, and the operational effectiveness of the following activities as treasury, assets, purchasing & payables, sales & revenue, research & development, construction project, budget, contracts implementation, related parties transaction, IT applications, internal reporting and information disclosure, etc.

The key processes of high risk for JMC are: sales & revenue, purchasing & payables, inventory, major investment projects, research and development, construction project management, fixed assets, treasury, financial reporting and contracts management.

The entities, operations and high risk areas scoped in the self-assessment have already covered the key aspects of Company's operations and management. There are no major omissions.

2. Self-assessment Basis and Internal Control Deficiency Determination Criteria

The Company conducts internal control self- assessment per the C-SOX requirements.

The Board members discussed and defined specific and practical criteria for the determination of internal control deficiencies, with consideration of the regulatory requirements combined with the Company's business scale, industry characteristics, risk appetite, risk tolerance and other factors. The control deficiencies are categorized to financial reporting and non financial reporting ones. And detailed criteria listed as below are consistent with the historical data.

1) Criteria for Internal Control Deficiency over Financial Reporting

Control deficiencies can be classified as material, significant, and minor.

(1) Quantitative Criteria for Internal Control Deficiency over Financial Reporting

A. Material Weakness

a) Misstatement in the Income Statement is more than 5% of the annual profit before taxation

b) Misclassification in the Income Statement is more than 0.4% of the annual sales revenue

c) Adjustment of net assets in the Balance Sheet is more than 1% of the shareholders' equity

d) Adjustment of asset or liability in the Balance Sheet is more than 0.6% of the total assets

e) Adjustment in the Cash Flow Statement is more than 3% of the total net cash flow in the operating activities.

B. Significant Deficiency

a) Misstatement in the Income Statement is more than 2.5% of the annual profit before taxation

b) Misclassification in the Income Statement is more than 0.2% of the annual sales revenue

c) Adjustment of net assets in the Balance Sheet is more than 0.5% of the Shareholders' equity

d) Adjustment of asset or liability in the Balance Sheet is more than 0.3% of the Total assets

e) Adjustment in the Cash Flow Statement is more than 1.5% of the total net cash flow from the operating activities.

C. Minor Deficiency

All the deficiencies that don’t meet the quantitative criteria for significant

(2) Qualitative Criteria for Internal Control Deficiency over Financial Reporting

A. Material Weakness

a) An error that changes the trend of results, changes profit to loss or loss to profit

b) Ineffective anti-fraud process or any fraud involving senior management

c) Ineffective control over accounting policies

d) Ineffective oversight by the Audit Committee

B. Significant Deficiency

a) Errors in management reporting systems or Corporate accounting records that

could lead to incorrect management decisions

b) Actions inconsistent with Company values, policies and other Corporate guidelines that are likely to significantly impact cost, quality, customer satisfaction, reputation, or competitive advantage

c) Control issues in IT infrastructure or applications that may lead to impairment of Company operations

d) Any actions indicating fraud or theft that is significant in value

C. Minor Deficiency

Any control deficiencies that do not meet the criteria for material or significant

2) Criteria for Internal Control Deficiency over Non-financial Reporting

Control deficiencies can be classified as material, significant, and minor.

(1) Quantitative Criteria for Internal Control Deficiency over Financial Reporting

Please refer to internal control deficiency over financial reporting for the criteria for non-financial reporting internal control.

(2) Qualitative Criteria for Internal Control Deficiency over Financial Reporting

A. Material Weakness

a) Unscientific decision making process such as incorrect decisions that result in unsuccessful mergers and acquisitions

b) Major regulatory compliance issues

c) Frequent media reports harmful to the Company ‘s reputation

d) A lack of control within key business processes or systematic breakdown of control policies

e) Material weakness identified in the self-assessment without any action plan implemented

B. Significant Deficiency

A control deficiency, or combination of control deficiencies, that does not meet The criteria for material weakness but deserves the concerns of the Audit Committee and the Board of Directors

C. Minor Deficiency

Any control deficiencies that do not meet the criteria for material or significant

3. Internal Control Deficiency Identification and Corrective Action Implementation Status

(1) For Internal Control Deficiency over Financial Reporting

Per the criteria stated above, no material weakness or significant control deficiency

has been identified during the reporting period.

(2) For Internal Control Deficiency over Non-financial Reporting

Per the criteria stated above, no material weakness or significant control deficiency has been identified during the reporting period.

Chairman (authorized by the Board of Directors)