

Jiangling Motors Corporation, Ltd.



2017 Annual Report

March 2018

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 Gong Yuanyuan and Chief of Finance Department, Xie Wanzhao, confirm that the Financial Statements in this Annual Report are truthful and complete.

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

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

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

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

The year 2017 profit distribution proposal approved by the Board of Directors is as follows:

A cash dividend of RMB 3.2 (including tax) will be distributed for every 10 shares held based on the total share capital of 863,214,000 shares, and there is no stock dividend. The Board decided not to convert capital reserve to share capital this time.

Contents

Chapter I	Important Notes, Contents and Abbreviations	2
Chapter II	Brief Introduction and Operating Highlight	4
Chapter III	Operating Overview	6
Chapter IV	Management Discussion and Analysis	7
Chapter V	Major Events	16
Chapter VI	Share Capital Changes & Shareholders	26
Chapter VII	Preferred Shares	30
Chapter VIII	Directors, Supervisors, Senior Management and Employees	30
Chapter IX	Corporate Governance Structure	40
Chapter X	Corporate Bond	47
Chapter XI	Financial Statements	47
Chapter XII	Catalog on Documents for Reference	48

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 and Operating Highlight

1. Company's Information

Share's name	Jiangling Motors, Jiangling B	Share's Code	000550, 200550
Place of listing	Shenzhen Stock Exchange		
Company's Chinese name	江铃汽车股份有限公司		
English name	Jiangling Motors Corporation, Ltd.		
Abbreviation	JMC		
Company legal representative	Qiu Tiangao		
Registered Address	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C		
Postal Code of Registered Address	330001		
Headquarters Address	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C		
Postal Code of Headquarters Address	330001		
Website	http://www.jmc.com.cn		
E-mail	relations@jmc.com.cn		

2. Contact Person and Method

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

3. Information Disclosure and Place for Achieving Annual Report

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

4. Changes of Registration

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

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

5. Other Information

Accounting Firm Appointed by JMC for Audit

Name	PricewaterhouseCoopers Zhong Tian LLP ('PwC Zhong Tian')
Headquarters address	11th Floor, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai City, P.R.C.
Names of Signed Accountants	Lei Fang, Shen Jie

6. Main accounting data and financial ratios

Unit: RMB '000

	2017	2016	Change (%)	2015
Revenue	31,345,747	26,633,949	17.69%	24,527,893
Profit Attributable to the Equity Holders of the Company	690,938	1,318,016	-47.58%	2,222,061
Net Cash Generated From Operating Activities	674,588	4,593,000	-85.31%	1,924,474
Basic Earnings Per Share (RMB)	0.8	1.53	-47.58%	2.57
Diluted Earnings Per Share (RMB)	0.8	1.53	-47.58%	2.57
Weighted Average Return on Equity Ratio	5.51%	10.74%	-5.23%	19.56%
	End of Year 2017	End of Year 2016	Change (%)	End of Year 2015
Total Assets	26,383,761	24,493,789	7.72%	21,050,726
Shareholders' Equity Attributable to the Equity Holders of the Company	12,572,402	12,409,236	1.31%	11,981,142

Accounting data difference between China GAAP and IFRS

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

Applicable Not Applicable

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

Applicable Not Applicable

Main accounting data quarterly

Unit: RMB'000

	Q1	Q2	Q3	Q4
Revenue	8,155,676	7,510,800	6,768,706	8,910,565
Profit Attributable to the Equity Holders of the Company	228,608	324,295	90,628	47,407
Net Cash Generated From Operating Activities	-879,487	-19,914	-485,747	2,059,736

Chapter III Operating Overview

1. Company's Core Business during the Reporting Period

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

2. Major Change of Main Assets

I. Major Change of Main Assets

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

II. Main Overseas Assets

Applicable Not Applicable

3. Core Competitiveness Analysis

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

On traditional business, with the support from Ford's advanced technology and management experience, JMC's influence over auto industry is improving steadily,

making considerable progress both in new product development and technical equipment. Series of Ford new products such as Ford brand MPV Tourneo, Ford new Transit AT, JMC Teshun, brand new Yuhu pickup and heavy truck Weilong launched further improved JMC's competence on R&D and manufacturing. The first JMC heavy truck *Jiangling Weilong* is awarded 2018 China Truck of the Year and The Most Potential Heavy Truck. The self-developed Kai Rui 800 and Yu Sheng S350 won the first prize of the Jiang Xi provincial Science and Technology Progress Award and Jiang Xi provincial Patent Award, which fully showed JMC's leading technology in light commercial vehicle field and self innovation capability. High standard Xiaolan manufacturing site continues to expand modern plants of vehicle, engine and frame, which will further ensure JMC's product production and quality improvement. With the construction of Fushan new energy plant, JMC will deliver more new energy vehicles in the future which will lay a solid foundation for JMC's sustainable and healthy growth.

While continuous consolidating the traditional advantages, JMC has been developing new business areas and innovative business models in response to the new trend of overseas and domestic industries. Participation of global smart driving competition, exploration of ADAS mass production plan and autonomous driving Demo scheme, reached strategic partnership with internet city freight platform and cold chain technology companies to discover new business model and analysis and application of internet and big data. These explorations will lay the foundation for JMC's transformation into the strategic vision of to be the best partner for mobility and smart logistic solutions.

Chapter IV Management Discussion and Analysis

1. Summary

In 2017, benefited from the stable economic growth in China, its automotive market maintains soften growth. Total sales volume was 28.88 million units, increased 3.04% compared with last year.

During the reporting period, to cope with more severe competition, more stringent regulatory requirement and intensifying cost pressures, the Company focused on quality improvement, new product development, operating cost control and production efficiency enhancement. Simultaneously, the Company introduced series of sales policy to respond the market risk. In 2017, JMC achieved sales volume of 310,028 units, increased 10.32% compared with last year, achieved revenue of RMB 31.35 billion, increased 17.69% compared with last year, achieved net profit of RMB 0.69 billion, decreased 47.58% compared with last year. It mainly reflects: I. More R&D and exploration expense on new product, technology and business to improve product core competitiveness in order to conform the auto trend of intelligence, netlink, electrification and sharing; II. Marketing expense increased and sales structure changed to compete in the very challenging market brought by the new entrants of auto industry and price strategy of traditional competitors.

2. Core Business Analysis

I. Summary

In 2017, JMC sales volume achieved 310,028 units, increased 10.32% compared with last year, including 108,953 units truck, 72,205 units pickup, 39,119 units SUV, 58,601 units Transit CV and 31,150 units JMC light bus.

2017 total production volume was 311,180 units, increased 10.56% compared with last year, including 109,155 units truck, 72,929 units pickup, 37,744 units SUV, 58,635 units Transit CV and 32,717 units light bus.

JMC total sales revenue in 2017 was RMB 31.35 billion, increased 17.69% compared with last year.

II. Revenue and Cost

(a) Composition of Sales Revenue

Unit: RMB

	2017 FY		2016 FY		YOY change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Revenue	31,345,746,762	100%	26,633,948,551	100%	17.69%
By Industry					
Automobile Industry	31,345,746,762	100%	26,633,948,551	100.00%	17.69%
By Products					
Vehicle	28,390,845,975	90.58%	23,876,058,142	89.64%	18.91%
Components	2,624,216,802	8.37%	2,369,645,586	8.90%	10.74%
Material & Others	330,683,985	1.05%	388,244,823	1.46%	-14.83%
By region					
China	31,345,746,762	100%	26,633,948,551	100.00%	17.69%

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

√ Applicable Not Applicable

Unit: RMB

	Turnover	Cost	Gross Margin	Y-O-Y turnover change (%)	Y-O-Y Cost Change (%)	Y-O-Y gross margin change (points)
By Industry						
Automobile Industry	31,345,746,762	25,045,089,962	20.10%	17.69%	21.50%	-2.51%
By Products						
Vehicle	28,390,845,975	22,847,921,018	19.52%	18.91%	22.66%	-2.47%
By Region						

China	31,345,746,762	25,045,089,962	20.10%	17.69%	21.50%	-2.51%
-------	----------------	----------------	--------	--------	--------	--------

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

Applicable Not Applicable

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

Yes No

Industry	Item	Unit	2017	2016	Change (%)
Automobile	Sales volume	unit	310,028	281,019	10.32%
	Production volume	unit	311,180	281,463	10.56%

Explanation on YOY change of over 30%

Applicable Not Applicable

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

Applicable Not Applicable

(e) Composition of Operating Cost

Unit: RMB

Product	2017 FY		2016 FY		YOY change (%)
	Cost	Proportion (%)	Cost	Proportion (%)	
Vehicle	22,847,921,018	91.23%	18,626,319,979	90.36%	22.66%
Components	1,892,879,763	7.56%	1,718,540,492	8.34%	10.14%
Material & Others	304,289,181	1.21%	267,862,469	1.30%	13.60%

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

Yes No

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

Applicable Not Applicable

(h) Main Customers and Suppliers

Top 5 Customers:

Total sales value to top 5 customers (RMB)	3,417,252,406
Accounted for the proportion of JMC's total annual turnover	10.90%
Included related party transaction accounted for the proportion of JMC's total annual turnover	3.34%

No.	Name of the Customer	Sales Value (RMB)	Percentage of JMC's Total Turnover (%)
-----	----------------------	-------------------	--

1	Zhejiang Jiangling Motors Sales Company	1,075,680,767	3.43%
2	JMCG Import & Export Co., Ltd.	1,047,618,050	3.34%
3	Hunan Transit Jiangling Motors Sales Company	481,531,654	1.54%
4	Shanghai Keda Zhoupu Auto Sales Company	446,417,280	1.42%
5	Henan Province Fushun Jiangling Motors Sales Company	366,004,655	1.17%
Total		3,417,252,406	10.90%

Other introduction to main customers

√ Applicable Not Applicable

JMIE is a related party of the Company. EVP Xiong Chunying hold the position of director of JMIE.

Top 5 Suppliers:

Total purchase value from top 5 suppliers (RMB)	4,248,790,687
Accounted for the proportion of JMC's total annual purchase amount	18.19%
Included related party transaction accounted for the proportion of JMC's total annual purchase amount	14.88%

No.	Name of the Supplier	Purchase Value (RMB)	Percentage of JMC's Total Annual Purchase Amount (%)
1	Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	943,608,096	4.04%
2	Jiangxi Jiangling Chassis Company	888,703,227	3.80%
3	Ford Motor Company	830,602,559	3.56%
4	GETRAG (Jiangxi) Transmission Company	813,925,560	3.48%
5	Bosch Auto Diesel System Company	771,951,245	3.31%
Total		4,248,790,687	18.19%

Other introduction to main suppliers

√ Applicable Not Applicable

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

III. Expense Analysis

Unit: RMB'000

	2017	2016	YOY Change	Major Changes Explanation
Distribution Expenses	2,694,779	1,961,535	37.38%	The Company carried out a variety of promotional activities to cope with the competitive environment where the domestic automobile market situation changed and competition intensified in 2017; the Company's variable marketing expenses increased due to higher sales volume.
Administrative Expenses	2,744,600	2,498,485	9.85%	
Finance Income-net	-239,221	-219,635	-8.92%	

IV. Research & Development

In 2017, JMC continued to focus on development of new product programs. Product related spending centered at future product development and compliance with regulatory requirements, including new model, increased payloads, new styling, and improved power, etc., ensuring the Company is compliant with stringent environmental and safety regulations. The competitive R&D will ensure the Company's volume and profit growth in the future. Development expenditure in 2017 was 2,055 million, representing 16.34% of net assets, or 6.56% of revenue.

R&D

	2017	2016	Change (%)
R&D Staff (person)	2,417	2,225	8.63%
R&D Staff as % of total employees	13.94%	13.19%	0.75%
R&D Investment (RMB)	2,054,740,061	1,937,312,797	6.06%
R&D Investment as % of revenue	6.56%	7.27%	-0.71%
Capitalization of R&D investment (RMB)	58,010,234	124,586,552	-53.44%
Capitalization of R&D investment as % of R&D Investment	2.82%	6.43%	-3.61%

Major change of R&D Investment as % of revenue

Applicable Not Applicable

Major change of capitalization of R&D investment

Applicable Not Applicable

See the note 14 (b) to Financial Statements for major change of capitalization of R&D investment.

V. Cash Flow Analysis

Unit: RMB'000

Item	2017	2016	YOY Change
Net cash generated from operating activities	674,588	4,593,000	-85.31%
Net cash used in investing activities	-669,656	-875,148	23.48%
Net cash used in financing activities	-533,431	-899,670	40.71%
Net (decrease)/increase cash and cash equivalents	-528,499	2,818,182	-118.75%

Explanation on the major factors regarding major change of related data

√ Applicable Not Applicable

Net cash generated from operating activities decreased by RMB 3,918 million, down 85.31% vs. 2016, mainly reflecting the increase of receivable generated from higher sales volume and fleet sales and payable to suppliers.

Cash flows from financing activities decreased by RMB 366 million, down 40.71% vs. 2016, mainly reflecting the decrease of dividend paid to the shareholders of the company.

Explanation on significant difference between net cash generated from operating activities and net profit during the reporting period

Applicable √ Not Applicable

3. Non-core business analysis

√ Applicable Not Applicable

Unit: RMB

Item	Amount	Proportion	Explanation	Sustainability (Y/N)
Non-operating Revenue	637,346,229	83.66%	Government subsidies to support company development	Y

4. Analysis of Assets and Liabilities

I. Major changes

Unit: RMB'000

Asset item	December 31, 2017		December 31, 2016		YOY	Major Changes Explanation
	Amount	Proportion	Amount	Proportion	Proportion change	
					(Points)	
Property, plant and equipment	6,714,088	25.45%	6,688,530	27.31%	-1.86%	
Inventories	2,339,304	8.87%	1,934,092	7.90%	0.97%	
Trade, other receivables and prepayments	4,555,934	17.27%	2,625,808	10.72%	6.55%	Due to higher sales volume and fleet sales
Cash and cash equivalents	11,137,723	42.21%	11,666,222	47.63%	-5.42%	
Trade and other payables	13,222,540	50.12%	11,605,178	47.38%	2.74%	Due to the increase of

						material purchasing according to the increase of sales volume
--	--	--	--	--	--	---

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

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

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

5. Investment

I. Summary

Applicable Not Applicable

II. Obtained Major Equity Investment during the Reporting Period

Applicable Not Applicable

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

Applicable Not Applicable

Project Name	Investment Method/ source	Fixed Assets (Y/N)	Spending in 2017 (RMB mils)	Investment Committed (RMB mils)	Progress	Index
Xiaolan Plant	Self-funded	Y	3	1,922	90%	Announcement of this project (No:2010-017) was published in the website Http://www.cninfo.com.cn
Fushan Plant	Self-funded	Y	-	-	-	Announcement of this project (No:2017-044) was published in the website Http://www.cninfo.com.cn
Total			3	1,922	--	--

IV. Financial Assets Investment

(a) Stock Investment

Applicable Not Applicable

(b) Derivative Investment

Applicable Not Applicable

V. Usage of Raised Fund

Applicable Not Applicable

6. Sales of Major Assets and Equity

I. Sale of Major Assets

Applicable Not Applicable

II. Sales of Major Equity

Applicable Not Applicable

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

Unit: RMB

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	4,086,813,808	251,625,936	27,594,937,861	27,213,880	20,202,244
JMC Heavy Duty Vehicle Co., Ltd	Subsidiary	Product heavy commercial vehicle, engine, component, and related service	281,793,174	2,061,645,065	-327,366,351	239,078,740	-303,330,024	-219,831,981

Acquisition and disposal of the subsidiary

Applicable Not Applicable

8. Structured Entities Controlled by JMC

Applicable Not Applicable

9. Outlook

I. Industry Competition and Development Trend

At present China is still in the stage of industrial and urbanization development, the fundamentals of its long-term economy remain unchanged. Steady domestic demand, encouraged innovation and further deepening of the combination of internet and industrial will continue to benefit China's economy toward steady and improvement. The infrastructure construction and logistic industry in China will also continue to develop which will be good to the stability and development of commercial vehicle segment. Meanwhile, China's Car Parc per capita is still lower than world's average level indicating a strong auto market potential in the future. Currently, automobile industry development is affected by the urban traffic congestion, environment pollution, purchase tax incentive cancellation and new energy vehicle incentive cancellation gradually. However, as the economic progressing steadily, the consumption level and purchasing power improved, domestic automobile sales volume is expected to achieve higher level. In 2018, sales volume is still expected to continue to grow slightly. The production, sales and use of automobile is significantly changed by the combination of technology revolution characterized by electrification, digital, network and smart and innovative business model featured by platform and sharing. The pattern has continued for several hundred years of auto industry is facing great changes, new energy vehicles and smart internet is becoming a clear direction of auto industry to lead its upgrade, transformation and structure adjustment.

II. Corporation Strategy

Company takes *to become the best partner for smart mobility and logistics solutions* as vision and *integrity, innovation and win-win* as core value, adopts

aggressive strategic actions in smart logistics of commercial vehicles to strengthen its leading position; proactively participates in mobility of passenger vehicle and tries different business model to build new core competitiveness through new technology application and new business model. JMC will continue to deliver SUV and crossover vehicles with high cost performance and high quality new energy vehicles with smart, environmental, safe and economic; participate in smart mobility and logistics service by cutting-edge technology and innovative business model to develop new core competitiveness in auto ecosystem.

III. Business Plan

The Company is targeting 2018 sales volume level at 340 thousand units and revenue level at RMB 33.5 billion, increases of 9.67% and 6.87% vs. 2017 respectively. To enhance profitability, the company is committed to the following plans in 2018:

- (1) Achieve volume and market share targets by enhancing the sales network and sales/marketing activities, especially pushing the third – fifth class city dealer network construction;
- (2) Well prepared the new products launch plan for Pickup MCA, electric light truck and part of Yusheng upgrade to Stage VI;
- (3) Continue to improve product quality, pursue cost reduction opportunities, improve manufacturing and operating efficiency to achieve profit and cost targets;
- (4) Continue to research, develop and apply new energy, autonomous driving and smart mobility;
- (5) Continue to promote the new fuel economy and emission compliance program to satisfy regulatory requirements;.
- (6) Work with technical partners to execute future product development and R&D ability improvement;
- (7) Expand finished vehicle exports and OEM components sales business.

IV. Potential Challenges and Solutions

In 2017, the Company will continue to face fiercer competition, more stringent regulatory requirements, intensifying cost pressures and a slowdown in China's economic growth. To achieve steady growth, the Company will continue to focus on the following aspects in 2017:

- (1) Optimizing company's production system to improve efficiency and product quality;
- (2) Optimizing dealer network and marketing spending to improve market share;
- (3) Improve suppliers' capability and parts quality; continue to reduce parts purchasing cost;
- (4) Strengthening corporate governance and application of appropriate risk assessment and control mechanisms;
- (5) Sustaining the expense management and control to optimize the business structure; and
- (6) Execute 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. With the support from technical partner, the Company continues to promote new products development and R&D ability improvement, to accelerate the progress of launching new competitive and profitable products to the market and 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.

10. External research and media interview to the Company

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

Date	Communication Method	Type of Object	Information Discussed and Materials offered
February 9, 2017	On-the-spot research	Institution	JMC Operating highlights
February 23, 2017	On-the-spot research	Institution	JMC Operating highlights
May 11, 2017	On-the-spot research	Institution	JMC Operating highlights
November 1, 2017	On-the-spot research	Institution	JMC Operating highlights
Reception times			4
Visiting institution number			22
Visiting person number			0
Other objects			0
Whether to disclose, reveal or divulge the undisclosed material information			No

Chapter V Major Events

1. Profit distribution and capital reserve conversion regarding common stock

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

Applicable Not Applicable

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

Special Explanation on Cash Dividend Policy	
Whether to comply with the requirements of the Articles of Association of JMC or resolution of the Shareholders' Meeting (Y/N)	Y
Whether the standards and proportion of dividends	Y

on profit distribution are clear (Y/N)	
Whether the procedures are valid and legal (Y/N)	Y
Whether the Independent Director fulfil their duties (Y/N)	Y
Whether middle and small shareholders have opportunities to claim their appeals and their legal rights and interests are completely protected (Y/N)	Y
Whether the condition and procedure are reasonable and transparent when the cash dividend policy is being changed (Y/N)	Y

Profit distribution plan or proposal in the recent three years

(1) Proposal on 2017 Year Profit Distribution

Details on the profit available for appropriation of the Company in 2017 prepared in accordance with the China GAAP and International Financial Reporting Standard ('IFRS') are as follows:

Unit: RMB'000

	China GAAP	IFRS
Retained earnings at Dec. 31, 2016	10,280,496	10,277,287
2017 net profit	690,938	690,938
Allocation of dividend for 2016	526,560	526,560
Retained earnings at Dec. 31, 2017	10,444,874	10,441,665

The upper limit of profit available for distribution was based on the lower of the un-appropriated profit calculated in accordance with the China GAAP and that calculated in accordance with IFRS. Therefore, the Company's retained earnings available for distribution as of December 31, 2017 were RMB 10,441,665 thousand.

The Board approved to submit to the 2017 Annual Shareholders' Meeting the following proposal on year 2017 profit distribution:

- (i). to appropriate for the dividend distribution from the profit available for distribution, which shall be equal to RMB 0.32 per share and shall apply to the Company's total share capital; and
- (ii). to carry forward the un-appropriated portion to the following fiscal year.

Profit distribution proposal: a cash dividend of RMB 3.2 (including tax) per 10 shares will be distributed to shareholders. Based on the total share capital of 863,214,000 shares as of December 31, 2017, total cash dividend distribution amounts shall be RMB 276,228,480.

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

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

(2) 2017 Interim Special Dividend Distribution Plan

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

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

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

(3) 2016 Year Profit Distribution Plan

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

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

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

(4) 2015 Year Profit Distribution Plan

A cash dividend of RMB 10.3 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2015, the total cash dividend distribution amounts were RMB 889,110,420.

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

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

Table of cash dividend in the recent three years

Unit: RMB'000

	Dividends (including tax) for every 10 shares (RMB)	Cash dividends (including tax)	Profit attributable to the equity holders of the Company in that year	Cash dividend as % of profit attributable to the equity holders of the Company
2017 (proposal)	3.2	276,228	690,938	39.98%
2017 Interim	23.17	2,000,067	N/A	N/A
2016	6.1	526,561	1,318,016	39.95%
2015	10.3	889,110	2,222,061	40.01%

2. Proposal on 2017 Year Profit Distribution Plan or Capital Reserve Conversion

Applicable Not Applicable

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

3. Commitments

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

Applicable Not Applicable

3.2 Earnings forecast of the assets or project and the explanations

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

There was no change of accounting policy, accounting estimates, estimation method during the reporting period.

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

Applicable Not Applicable

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

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

Applicable Not Applicable

There was no change on consolidated scope in the reporting period.

9. Appointment or Dismissal of Accounting Firm

Current accounting firm

Name	PricewaterhouseCoopers Zhong Tian LLP
Compensation (RMB'000)	1,900
Consecutive years offering audit services	16
Names of signed accountants	Lei Fang, Shen Jie

Dismissal of accounting firm

Applicable Not Applicable

Appointment of C-SOX auditor, financial consultant or sponsor

Upon the approval of 2014 Annual Shareholders' Meeting, JMC agreed to appoint PwC Zhong Tian as JMC's 2016 to 2018 C-SOX auditor. In 2017, JMC paid RMB 550 thousand to PwC Zhong Tian for the C-SOX audit.

10. Suspension and Termination of Listing after Annual Report Disclosed

Applicable Not Applicable

11. Related Matters regarding Bankruptcy

Applicable Not Applicable

There was no matter involving bankruptcy during the reporting period.

12. Major Litigation or Arbitration

Applicable Not Applicable

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

13. Punishment

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

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

16. Major Related Transactions

i. Routine related party transactions

Applicable Not Applicable

Transaction Parties	Content	Relationship	Pricing Principle	Settlement Method	Amount (RMB'000)	As % of Total Purchases/ Revenue
Ford and subsidiaries of Ford	Parts and components purchase	Controlling shareholder of JMC and subsidiaries of Ford	Contracted price	D/P & T/T	1,259,123	5.39%
Nanchang Bao-jiang Steel Processing Distribution Co., Ltd.	Raw materials purchase	Associate of JMCG	Contracted price	Prepayment	943,608	4.04%
Jiangxi Jiangling Chassis Co., Ltd.	Parts and components purchase	Subsidiary of JMCG	Contracted price	60 days after delivery and invoicing	888,703	3.80%
GETRAG (Jiangxi) Transmission Company	Parts and components purchase	Associate of JMCG	Contracted price	60 days after delivery and invoicing	813,926	3.48%
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Parts and components purchase	Subsidiary of JMCG	Contracted price	30 days after delivery and invoicing	764,437	3.27%
Jiangxi Jiangling Lear Interior System Co., Ltd.	Parts and components purchase	Joint venture of JMCG	Contracted price	60 days after delivery and invoicing	550,290	2.36%

Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Sales	Associate of JMCG	Contracted price	40% of prepayment and the remains paid during 30 days after delivery	1,047,618	3.34%
--	-------	-------------------	------------------	--	-----------	-------

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

Applicable Not Applicable

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

iii. Related party transaction concerning outside co-investment

Applicable Not Applicable

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

iv. Related credit and debt

Applicable Not Applicable

Is there non-operating related credit and debt?

Yes No

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

v. Other major related party transactions

Applicable Not Applicable

The balance amount of bank deposit of the Company in JMCG Finance Company as of the end of the year 2017 was RMB 1,120,806 thousand. The Board of Directors reviewed and approved JMCG Finance Company Continuous Risk Assessment Report. Please refer to the website www.cninfo.com.cn for the original of the report which was published on March 24, 2018.

17. Major Contracts and Execution

i. Entrustment, contract or lease

a. Entrustment

Applicable Not Applicable

There was no entrustment in the reporting period.

b. Contract

Applicable Not Applicable

There was no contract in the reporting period.

c. Lease

Applicable Not Applicable

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

Project with more than 10% of net profit

Applicable Not Applicable

There was no lease project with more than 10% of net profit in the reporting period.

ii Major guarantee

Applicable Not Applicable

The Company had no outside guarantee in the reporting period.

iii. Entrustment on cash asset management

a. Trust investment

Applicable Not Applicable

There was no trust investment in the reporting period.

b. Entrusted loan

Applicable Not Applicable

There was no entrusted loan in the reporting period.

iv. Other major contract

Applicable Not Applicable

18. Corporation Social Responsibilities

I. Corporation Social Responsibilities

JMC 2017 Corporation Social Responsibilities Report can be downloaded from JMC official website: www.jmc.com.cn or the website: www.cninfo.com.cn.

II. Targeted measures in poverty alleviation

a. Plan on poverty alleviation

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

b. Summary of poverty alleviation in 2017

The Company regards the realization of precision poverty relief as the basic strategy of precision poverty alleviation. In 2017, there are 4 families or 20 persons in Xianting Village get rid of poverty.

c. Status of Year 2017 targeted measures in poverty alleviation

Item	Unit	Amount/Progress
I. Brief Introduction	—	—
including: 1. Funding	RMB ('000)	176.76
2. Sum converted from the materials	RMB ('000)	2.76
3. Persons get rid of poverty	Persons	20
II. Investments	—	—
1. Anti-poverty depending on industry development	—	—
including: 1.1 Type	—	
1.2 Projects	Number	
1.3 Investment amount	RMB ('000)	
1.4 Persons get rid of poverty	Persons	20
2. Anti-poverty depending on employment transfer	—	—
including: 2.1 Investments on vocational skills	RMB ('000)	
2.2 Training persons regarding vocational skills	Persons	
2.3 Employment Persons	Persons	
3. Anti-poverty depending on relocation	—	—
including: 3.1 Employment persons among relocated persons	Persons	

4. Anti-poverty depending on education	—	—
including: 4.1 Grants in aid to poor students	RMB ('000)	5.36
4.2 Poor students in aid	Persons	
4.3 Investments on the improvement of educational source in poverty-stricken area	RMB ('000)	
5. Health Anti-poverty	—	—
Including: 5.1 Investments on medical and health services in poverty-stricken area	RMB ('000)	
6. Ecological protection anti-poverty	—	—
including: 6.1 Project type	—	
6.2 Investment amount	RMB ('000)	
7. Miscellaneous provisions	—	—
including: 7.1 Investments on stay-at-home children, women and elderly	RMB ('000)	
7.2 Number of stay-at-home children, women and elderly in aid	Persons	
7.3 Investments on poor & disable people	RMB ('000)	4.36
7.4 Number of poor & disable people in aid	Persons	
8. Social anti-poverty	—	—
including: 8.1 Investments on cooperation between West China and East China	RMB ('000)	
8.2 Investments on one-to-one anti-poverty	RMB ('000)	
8.3 Investments from anti-poverty charity fund	RMB ('000)	169.8
9. Other	—	—
including: 9.1. Project	Number	
9.2. Investment amount	RMB ('000)	
9.3. Persons getting rid of poverty	Persons	
III. Awards	—	—

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

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. JMC will fund poverty alleviation through education by providing a sound learning environment to students from Xianting Village.

III. Environmental protection

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

Yes No

Name of principal pollutant and specific pollutant	Mode of discharge	Number of discharge outlet	Distribution of discharge outlet	Discharge concentration	Applicable standard for pollutant discharge	Total amount of discharge	Total amount of discharge audited	Excessive discharge
Wastewater (COD, NH-N)	continuous discharge	6	3 in Mainsite, 1 in Xiaolan Site, 1 in Cast Plant and 1 in Axle Plant	"COD:183mg/L NH-N:12mg/L"	"Wastewater Discharge Standard"(GB 8978-1996)	COD: 210.72t; NH-N: 3.148t	COD≤721.82t; NH-N≤17.038t	Meet Standard
Exhaust gas (SO ₂ ,NO _x ,smoke,toluol, dimethylbenzene,	continuous discharge	125	53 in Mainsite, 34 in Xiaolan Site, 33 in Cast Plant and 5 in Axle Plant	SO ₂ : 36mg/m ³ ; NO _x : 89mg/m ³ ; smoke: 83.9mg/m ³ ; toluol :0.016mg/	"The Emission Standard of Air Pollutants", "Emission Standard of Air	SO ₂ : 0.48t; NO _x : 28.29t	SO ₂ ≤87.8t; NO _x ≤35.53t	Meet Standard

NMHC)				m3; dimethylbenzene :0.090mg/m3; NMHC: 22.6mg/m3"	Pollutants for Boiler" (GB 13271-2014)			
-------	--	--	--	---	--	--	--	--

The construction and operation of pollutant preventive and control facilities

Since 2006, JMC has invested more than RMB 30 million to construct seven wastewater treatment stations (including the wastewater treatment station in the east plant area and Xiaolan wastewater treatment station), with the treatment capacity as high as 9,000t/d. The treated wastewater reached the national discharge standard.

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.

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 passerby of probable hazards in the storage process of hazardous wastes.

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.

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 2017, JMC's Qingyunpu Main Plant Area (the "Plant Area") was listed as a key pollutant discharging organization of wastewater/hazardous wastes. The Plant Area monitored by itself in strict accordance with the *Method for Self-monitoring and Information Disclosure of State Key Monitoring Enterprises (Trial)*. Its self-monitoring schemes, monitoring results and annual monitoring reports on pollution sources were disclosed on the "pollution source self-monitoring reporting platform of Jiangxi Province". Xiaolan plant area and other plant areas finished self-monitoring according to the EIA requirements.

Other information related to environmental protection

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

19. Other Major Events

JMC received government incentives of approximate RMB 640 million appropriated by Nanchang City, Nanchang County Xiaolan Economy Development Zone, Nanchang City Qingyupu District, Shanxi Province and Taiyuan Economic & Technological Development Zone in 2017, which is to support JMC's development.

20. Major event of JMC subsidiary

Applicable Not Applicable

Chapter VI Share Capital Changes & Shareholders

1. Changes of shareholding structure

I. Table of the changes of shareholding structure

	Before the change		Change (+, -)					After the change	
	Shares	Proportion of total shares (%)	New shares	Bonus Shares	Reserve-converted shares	Others	Subtotal	Shares	Proportion of total shares (%)
I. Limited tradable A shares	1,725,900	0.20%	-	-	-	-819,045	-819,045	906,855	0.10%
1. Other domestic shares	1,725,900	0.20%	-	-	-	-819,045	-819,045	906,855	0.10%
Including:									
Domestic legal person shares	835,140	0.10%	-	-	-	-49,200	-49,200	785,940	0.09%
Domestic natural person shares	890,760	0.10%	-	-	-	-769,845	-769,845	120,915	0.01%
II. Unlimited tradable shares	861,488,100	99.80%	-	-	-	819,045	819,045	862,307,145	99.90%
1. A shares	517,488,100	59.95%	-	-	-	819,045	819,045	518,307,145	60.05%
2. B shares	344,000,000	39.85%	-	-	-	-	-	344,000,000	39.85%
III. Total	863,214,000	100.00%	-	-	-	-	-	863,214,000	100.00%

Causes of shareholding changes

√ Applicable Not Applicable

JMC did not issue shares or derivative securities during the past three years as of December 31, 2017. JMC's total shares remained unchanged in 2017, and the change in shareholding structure was caused by

- a. Limited A shares of 49,200 shares, formerly held by Shenzhen Airport Terminal Building Co., Ltd., were transferred to nature person shareholders;
- b. The trading restriction on the limited A shares held by 202 natural persons were relieved on October 31, 2017.

Approval of changes of shareholding structure

Applicable √ Not Applicable

Shares Transfer

Applicable √ Not Applicable

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

Applicable √ Not Applicable

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

Applicable √ Not Applicable

II. Changes of limited A shares

√ Applicable Not Applicable

2. Securities Issuance and Listing

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

Applicable √ Not Applicable

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

Applicable Not Applicable

III. Current staff shares

Applicable Not Applicable

3. Shareholders and actual controlling parties

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

Total shareholders as of the end of the reporting period	JMC had 30,482 shareholders, including 24,963 A-share holders, and 5,519 B-share holders, as of December 31, 2017.					
Total shareholders as of the last month-end prior to the disclosure date of the Report	JMC had 34,733 shareholders, including 29,136 A-share holders, and 5,597 B-share holders, as of February 28, 2018.					
Top ten shareholders						
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Change (+,-)	Shares with Trading Restriction	Shares due to mortgage or frozen
Jiangling Motor 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	-2,200	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0	0
Central Huijin Investment Ltd.	State-owned legal person	0.83	7,186,600	0	0	0
JPMBSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign legal person	0.68	5,848,450	-24,000	0	0
GAOLING FUND,L.P.	Foreign legal person	0.63	5,439,086	0	0	0
INVESCO FUNDS SICAV	Foreign legal person	0.58	5,035,746	663,116	0	0
TEMPLETON DRAGON FUND,INC.	Foreign legal person	0.56	4,836,708	-80,000	0	0
TEMPLETON GBL INVSTMT TRST-TMPLTN EMGNG MKTS SMALL CAP FD	Foreign legal person	0.46	3,948,718	0	0	0
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	22,745,784		A share			
Shanghai Automotive Co., Ltd.	13,019,610		A share			
Central Huijin Investment Ltd.	7,186,600		A share			

JPMBSA 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
TEMPLETON GBL INVSTMT TRST-TMPLTN EMGNG MKTS SMALL CAP FD	3,948,718	B share
Notes on association among above-mentioned shareholders	None.	

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

Applicable Not Applicable

II. Controlling Shareholders

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

Type: Legal person

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

Change of controlling shareholders

Applicable Not Applicable

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

III. Actual Controlling Parties

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

Type: Legal person

Name	Legal representative	Established Date	Organization code	Main scope of business
JMCG	Qiu Tiangao	July 27,	913600001582	manufacturing of automobiles, engines, chassis,

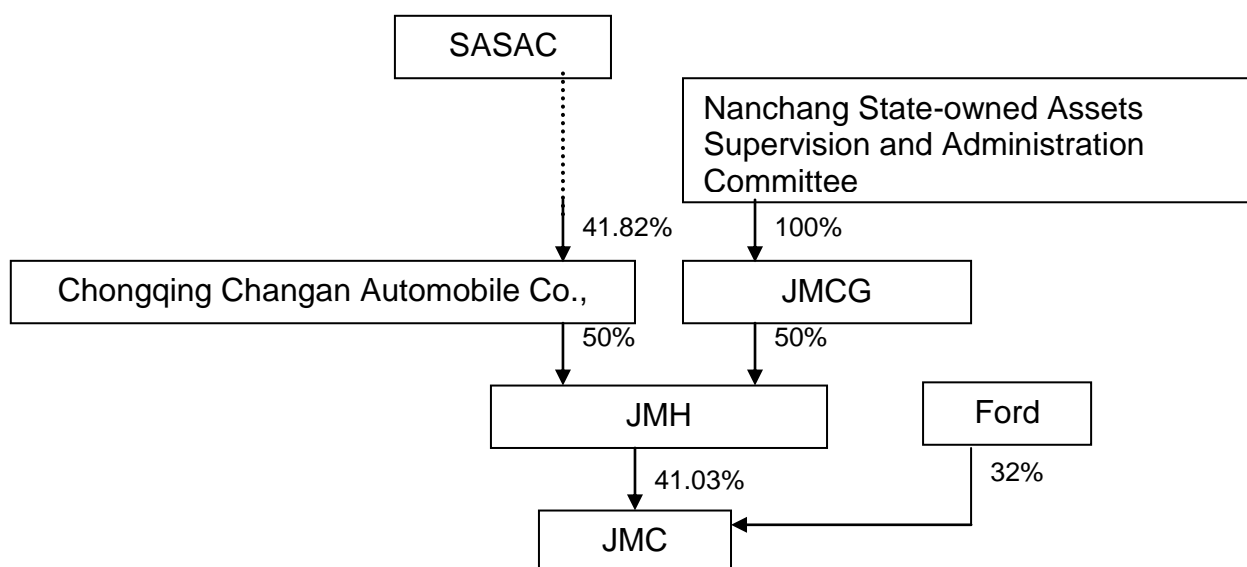
		1991	63759R	specialty vehicle, transmission, other products, automotive quality testing, sales of self-produced products and raw materials, equipment, electronic products, parts and others, as well as related after-sales services and maintenance services; development of products derived from JMC brand light vehicle; oversea auto project-contracting, export equipment, material and related labor services.
Chongqing Changan Automobile Co., Ltd.	Zhang Baolin	December 31, 1996	9150000020286320X6	development, manufacturing, sales, import & export business of auto (including sedan), engine, automotive components, die, tools, installation of machinery, technological consultant services.
Equity of listed company in domestic and aboard market held by the entity controlled by the actual controlling party during the reporting period				None

Change of actual controlling parties

Applicable Not Applicable

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

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



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

Applicable Not Applicable

IV. Other legal person shareholder holding more than 10% of total equity of the Company

Applicable Not Applicable

V. Shareholding reducing restriction to controlling shareholders, actual controlling parties, restructuring parties and other commitment-making entities

Applicable Not Applicable

Chapter VII Preferred Shares

Applicable Not Applicable

JMC had no preferred shares in the reporting period.

Chapter VIII Directors, Supervisors, Senior Management and Employees

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

Name	Position	Gender	Age	Term of Office	Shares at the period-beginning	Share Change in the reporting period	Shares at the period-end
Qiu Tiangao	Chairman	Male	51	2017.06.29-2020.06.28	0	0	0
Peter Fleet	Vice Chairman	Male	50	2017.06.29-2020.06.28	0	0	0
David Johnston	Director	Male	47	2017.06.29-2020.06.28	0	0	0
Thomas Fann	Director & President	Male	55	2017.06.29-2020.06.28	0	0	0
Xiong Chunying	Director & EVP	Female	53	2017.06.29-2020.06.28	1,200	0	1,200
Yuan Mingxue	Director	Male	49	2017.06.29-2020.06.28	0	0	0
Lu Song	Independent Director	Male	60	2017.06.29-2020.06.28	0	0	0
Wang Kun	Independent Director	Female	41	2017.06.29-2020.06.28	0	0	0
Li Xianjun	Independent Director	Male	50	2017.06.29-2020.06.28	0	0	0
David Schoch	Ex-Vice Chairman	Male	67	2016.08.12-2017.06.29	0	0	0
Mark Kosman	Ex-Director	Male	53	2016.04.28-2017.06.29	0	0	0
Zhu Yi	Chief supervisor	Male	47	2017.06.29-2020.06.28	0	0	0
Alvin Qing Liu	Supervisor	Male	60	2017.06.29-2020.06.28	0	0	0
Zhang Jian	Supervisor	Male	48	2017.06.29-2020.06.28	40	0	40
Ding Zhaoyang	Supervisor	Male	48	2017.06.28-2020.06.28	20	0	20
Chen Guang	Supervisor	Male	44	2017.06.28-2020.06.28	0	0	0
Liu Niansheng	Ex-Supervisor	Male	51	2014.06.27-2017.06.27	0	0	0
Xu Lanfeng	Ex-Supervisor	Female	49	2014.06.27-2017.06.27	0	0	0
Jin Wenhui	EVP	Male	50	2017.06.29-2020.06.28	0	0	0
Gong	CFO	Female	44	2017.06.29-	0	0	0

Yuanyuan				2020.06.28			
Wan Hong	VP & Board Secretary	Male	56	2017.06.29-2020.06.28	0	0	0
Tim Slatter	VP	Male	43	2017.06.29-2020.06.28	0	0	0
Li Xiaojun	VP	Male	42	2017.06.29-2020.06.28	0	0	0
Zhu Shuixing	VP	Male	52	2017.06.29-2020.06.28	100	0	100
Liu Shuying	VP	Female	55	2017.06.29-2020.06.28	0	0	0
Mike Chang	VP	Male	51	2017.06.29-2020.06.28	0	0	0
Christian Chen	VP	Male	45	2017.06.29-2020.06.28	0	0	0
Wu Xiaojun	VP	Male	43	2017.06.29-2020.06.28	0	0	0
Ding Wenmin	VP	Male	46	2018.01.01-2020.06.28	0	0	0
Liao Zanping	Ex-VP	Male	55	2014.06.27-2017.01.31	0	0	0
Arturo Mendoza	Ex-VP	Male	63	2015.07.01-2017.06.29	0	0	0
Li Qing	Ex-VP	Male	53	2017.06.29-2017.12.31	0	0	0
	Total				1,360	20	1,360

2. Changes of Directors, Supervisors and Senior Management

Name	Position	Status	Date	Reason
David Schoch	Vice Chairman	Leave	2017.06.27	Re-election of the Board
Mark Kosman	Director	Leave	2017.06.27	Re-election of the Board
Liu Niansheng	Supervisor	Leave	2017.06.27	Re-election of the Supervisory Board
Xu Lanfeng	Supervisor	Leave	2017.06.27	Re-election of the Supervisory Board
Liao Zanping	VP	Leave	2017.01.31	Work rotation
Arturo Mendoza	VP	Leave	2017.06.27	Work rotation
Li Qing	VP	Leave	2017.12.31	Work rotation

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

Directors:

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

Mr. Peter Fleet, born in 1967, holds a Bachelor's Degree in Politics and International Relations from the University of Southampton, United Kingdom, and is Group Vice President of Ford and President of Ford Asia & Pacific, Chairman

and CEO of Ford China, and Vice Chairman of JMC. Mr. Peter Fleet held various positions including Marketing Director of Ford Britain, Commercial Vehicles Director for Marketing, Sales and Service of Ford Europe, Regional Director for European Sales Operations, President of Ford ASEAN, Vice President for Sales of Ford Europe, Vice President for Marketing, Sales and Service of Ford Asia Pacific.

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

Mr. Thomas Fann, born in 1962, holds a Bachelor Degree in Mechanical Engineering from National Cheng Kung University, China Taiwan, a Master Degree in Mechanical Engineering from National Tsing Hua University, China Taiwan, and a Doctor Degree in Mechanical Engineering from University of Michigan, U.S.A. , and is Director and President of JMC. Mr. Thomas Fann held various positions including Local Content Strategy Manager, Purchasing Strategy Planning Manager of Ford Lio Ho, Commodity Supervisor of Ford Europe, Controller, Technical Operations & ACSG of Ford Lio Ho, Finance Analysis Manager of Mazda Motor Europe, Operations Controller of Changan Ford Automobile Co., Ltd., Vice President Business of Changan Ford Mazda Engine Company, Finance Director, President of Ford Lio Ho.

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

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

Mr. Lu Song, born in 1957, professor and arbitrator, holds a Bachelor's Degree in Law from Peking University and a Master's Degree in Law from China Foreign

Affairs University (“CFAU”) and Free University of Brussels respectively, and is a professor of CFAU and the arbitrator of international arbitral institutions, Vice President of the Chinese Society of Private International Law, Executive Council of the Chinese Society of International Law, an Independent Director of JMC. Mr. Lu Song held various positions including Director of International Law Institute of CFAU and Secretary General of the Chinese Society of International Law.

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

Mr. Li Xianjun, born in 1967, holds a Bachelor’s Degree in Industrial Management from Jilin University of Technology and a MBA, a Doctor’s Degree in Political Economy from Jilin University, and is Head and Academic Director of School of Automotive Engineering of Tsinghua University, an Independent Director of JMC. Mr. Li Xianjun has held various positions including Planner of Engine Plant of FAW, Secretary of General Manager of Jilin Province Agricultural Machine Corporation, General Manager of Planning Department of Jinlin Province Feed Company, Lecturer of School of Business of Jilin University.

Supervisors:

Mr. Zhu Yi, born in 1970, senior accountant, holds a Bachelor’s Degree in Business Management and a MBA from Jiangxi University of Finance & Economics, and is a Director & Vice General Manager of JMCG and a Director of Jiangling Motor Holdings Co., Ltd, Chief Supervisor of JMC. Mr. Zhu Yi held various positions including Vice Manager of Jiangling Auto Maintenance Service Limited, Deputy Chief and Chief of JMCG Asset & Finance Department, Assistant to General Manager, Vice General Manager of JMCG.

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

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

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

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

Senior management:

Mr. Thomas Fann, please refer to the part of Directors.

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

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

Ms. Gong Yuanyuan, born in 1973, holds a Bachelor Degree in Finance from Shanghai Jiao Tong University and a MBA from City University, United Kingdom. She is now the CFO of JMC, in charge of finance management. Ms. Gong Yuanyuan held various positions including Controller of Fudian Electronics, Profit Analysis Manager of Visteon Asia Pacific, Controller of Ford China Sourcing Office, Controller of Ford China Operations, Controller of CFMA Nanjing Assembly Plant, Controller of MFG and MP&L of Ford China, and PD Controller of Lincoln and Mustang of Ford U.S.

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

Mr. Tim Slatter, born in 1974, holds a Bachelor's Degree in Automotive Engineering and Design from Coventry University, U.K. He is now a Vice President of JMC, in charge of the Company's product development. Mr. Tim Slatter held various positions including Manufacturing Process Development Engineer of Renault Company, Engineer, Gasoline/Diesel Powertrain Control System Integration Supervisor, Powertrain Installation Manager, Global Exhaust

Engineering Manager of Ford Europe, Powertrain Programs and Integration Chief Engineer of Ford AP.

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

Mr. Zhu Shuixing, born in 1965, holds a Master's Degree in Pressure Processing from Northwestern Polytechnical University and a MBA from Jinan University. He is now a Vice President of JMC, in charge of the Company level strategic planning and parts business. Mr. Zhu Shuixing held various positions including Deputy Director of Engineering Department of JMC, Deputy Dean of No.5 Institute of Project Planning & Research of Machinery Industry, Jiangling Sub-branch, Project Manager, Manager of Quality Control Department of Hilti China Ltd., Manager of Purchasing Department, Manager of Industrial Support Department, Manufacturing Manager of Philips Electronics (Zhuhai) Co., Ltd., Plant Manager of International Paper (Guangzhou) Packaging Co., Ltd., Operation Officer of Amphenol East Asia Electronic Technology (Shenzhen) Limited, and Assistant to the President of JMC.

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

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

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

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

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

Positions at the shareholder entities

√ Applicable Not Applicable

Name	Shareholder Entity	Title	Term of Office	Compensation Paid by Shareholder Entity (Y/N)
Qiu Tiangao	JMH	Vice Chairman	2016.3—	N
Peter Fleet	Ford	Group Vice President and President, Ford Asia Pacific	2017.7—	Y
David Johnston	Ford	CFO, Ford Asia Pacific	2017.7—	Y
Yuan Mingxue	JMH	Director	2015.7—	N
Zhu Yi	JMH	Director	2004.11—	N
Alvin Qing Liu	Ford	Vice President and General Counsel, Ford Asia Pacific	2009.1—	Y

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

√ Applicable Not Applicable

Name	Entity	Title
Qiu Tiangao	JMCG	Chairman
	JMCG Jingma Motors Co., Ltd.	Chairman
	Jiangling Dingsheng Investment Co., Ltd.	Chairman
	JMEV	Chairman
	Jiangxi-Isuzu Motors Co., Ltd.	Chairman
	JMC Heavy Duty Vehicle Co., Ltd.	Chairman
Peter Fleet	Ford Motor (China) Ltd.	Chairman and CEO
	Changan Ford Automobile Co., Ltd.	Vice Chairman
David Johnston	Ford Motor (China) Ltd.	Director
	Changan Ford Automobile Co., Ltd.	Director

Thomas Fann	JMC Heavy Duty Vehicle Co., Ltd.	Director
Yuan Mingxue	Chongqing Changan Automobile Co., Ltd.	Vice President
Lu Song	CAFU	Professor
Wang Kun	Tsinghua University	Assistant to Dean of School of Economics and Management and Deputy Director of Corporate Governance Center
Li Xianjun	Tsinghua University	Head and Academic Director of School of Automotive Engineering
Zhu Yi	JMCG	Director & Vice General Manager
Alvin Qing Liu	Changan Ford Mazda Engine Co., Ltd.	Vice Chairman
	Ford Motor (China) Ltd.	Director & Vice Chairman
	Changan Ford Automobile Co., Ltd.	Director
	Ford Motor Research(Nanjing) Co., Ltd.	Supervisor
	Ford Motor Research Test(Nanjing) Co., Ltd.	Supervisor
Xiong Chunying	JMCG	Director
	JMC Heavy Duty Vehicle Co., Ltd.	Director
Jin Wenhui	JMCG	Director
	Jiangling Motor Sales Co., Ltd.	Legal Representative
	JMC Heavy Duty Vehicle Co., Ltd.	Director
Gong Yuanyuan	JMC Heavy Duty Vehicle Co., Ltd.	Director
	Jiangling Motors Sales Co., Ltd.	Supervisor
Wan Hong	Jiangxi Hongdu Aviation Industry Co., Ltd.	Independent Director
	JMC Heavy Duty Vehicle Co., Ltd.	Director
Wu Xiaojun	JMC Heavy Duty Vehicle Co., Ltd.	Director & General Manager,
Chen Guang	JMC Heavy Duty Vehicle Co., Ltd.	Vice General Manager

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

Applicable Not Applicable

4. Compensation of Directors, Supervisors and Senior Executives

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

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

(1) In accordance with JMC Executive Compensation Scheme approved by the Board of Directors, the compensation for the Chinese-side senior management consists of base salary and floating bonus. The base salary level is determined according to the grade of the senior executives, and the floating bonus shall be paid according to the operating performance. 70% of the bonus will be distributed in this year, and the rest 30% will be distributed in the next three years. In 2017, the Company paid annual compensation before tax of approximately RMB 1,910 thousand to EVP Xiong Chunying, paid approximately RMB 1,610 thousand to EVP Jin Wenhui, paid approximately RMB 1,330 thousand per person to VP & Board Secretary Wan Hong, Ex-VP Li Qing, VP Zhu Shuixing and VP Liu Shuying, paid VP Li Xiaojun approximately RMB 1,300 thousand, paid VP Wu Xiaojun approximately RMB 1,690 thousand, paid Ex-VP Liao Zanping approximately RMB 130 thousand. Two employee-representative supervisors, Mr. Ding Zhaoyang and Mr. Chen Guang, were paid annual compensation before tax of about RMB 420 thousand and RMB 400 thousand respectively. Two Ex employee-representative supervisors, Mr. Liu Niansheng and Ms Xu Lanfeng, were paid annual compensation before tax of about RMB 1000 thousand and RMB 680 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 14.46 million in the reporting period, including the long-term incentive of RMB 1.66 million deferred from the previous years.

(2) JMC pays annual compensation for Ford-seconded senior management personnel to Ford in accordance with the revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates. In 2017, JMC should pay US\$ 375 thousand per person to Ford for Director & President Thomas Fann and VP Tim Slatter, pay US\$ 187.5 thousand for VP Mike Chang, pay RMB 750 thousand per person for CFO Gong Yuanyuan and VP Christian Chen, pay US\$ 187.5 thousand for ex-VP Arturo Mendoza. These payments made by JMC to Ford do not reflect the actual salaries earned by Ford-seconded senior management.

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

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

Unit: RMB'000

Name	Position	Gender	Age	Present (Y/N)	Compensation Before Tax Paid by JMC	Compensation Paid by Related Party (Y/N)
Qiu Tiangao	Chairman	Male	51	Y	0	Y
Peter Fleet	Vice Chairman	Male	50	Y	0	Y
David Johnston	Director	Male	47	Y	0	Y
Thomas Fann	Director & President	Male	55	Y	*	N
Xiong Chunying	Director & EVP	Female	53	Y	1,910	N
Yuan Mingxue	Director	Male	49	Y	0	Y
Lu Song	Independent Director	Male	60	Y	100	N
Wang Kun	Independent Director	Female	41	Y	100	N
Li Xianjun	Independent Director	Male	50	Y	100	N
Zhu Yi	Chief supervisor	Male	47	Y	0	Y
Alvin Qing Liu	Supervisor	Male	60	Y	0	Y
Zhang Jian	Supervisor	Male	48	Y	0	Y
Ding Zhaoyang	Supervisor	Male	48	Y	420	N
Chen Guang	Supervisor	Male	44	Y	400	N
Liu Niansheng	Supervisor	Male	50	N	1,000	N
Xu Lanfeng	Supervisor	Female	48	N	680	N
Jin Wenhui	EVP	Male	50	Y	1,610	N
Gong Yuanyuan	CFO	Female	44	Y	*	N
Wan Hong	VP & Board Secretary	Male	56	Y	1,330	N
Tim Slatter	VP	Male	43	Y	*	N
Li Xiaojun	VP	Male	42	Y	1,300	N
Zhu Shuixing	VP	Male	52	Y	1,330	N
Liu Shuying	VP	Female	55	Y	1,330	N
Christian Chen	VP	Male	45	Y	*	N
Mike Chang	VP	Male	51	Y	*	N
Wu Xiaojun	VP	Male	43	Y	1,690	N
Li Qing	VP	Male	53	N	1,330	N
Arturo Mendoza	VP	Male	63	N	*	N
Liao Zanping	VP	Male	55	N	130	N

* Please refer to the Article 4 (2) of the Chapter.

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

Applicable √ Not Applicable

5. Employees

i. Employees, Professional Structure and Educational Level

Employees in parent company (persons)	15,396
Employees in subsidiaries (persons)	1,945
Total employees (persons)	17,341
Total employees paid compensation (persons)	18,246
Retired employees bore retirement benefits in parent company and its subsidiaries	847
Professional Structure	
Type	Employees (Persons)
Production Worker	12,058
Sales Personnel	732
Technical Personnel	3,374

Finance Personnel	236
Administrative Staff	941
Total	17,341
Educational Level	
Type	Employees (Persons)
Master degree and higher	941
Bachelor degree	3,820
Polytechnic school degree	2,424
Below polytechnic school degree	10,156
Total	17,341

ii. Compensation Policy

The Company strictly complies with the relevant requirements of national labor laws and regulations, adheres to the principle of "equal pay for equal work, equality between men and women, and ethnic equality", provides a safe and standardized workplace, and respects the diversity of employees, to provide employees with competitive salary and welfare benefits. According to the 3P pay concept, employees' compensation is determined based on employee position, power, and performance to stimulate the initiative of the staff on improving their work ability and fully mobilize the enthusiasm of the staff.

The company pays Five Social Insurance and One Housing Fund of social insurance and welfare to employees according to laws and provides employees with statutory leave.

The company establishes the management personnel channel, the technical personnel channel and the worker development channel, and lets employees have a perfect development prospect in different positions. The Company unifies the employee's ability enhancement and the performance of the work to promote the employee's personal rank and technical level, so as to realizes the employee's career development.

iii. Training

In 2017, JMC's training expense was RMB 18,560 thousand, and training person-time were 94,321 with training stratification of 96.90%. Please refer to the Chapter IV of 2017 JMC Corporation Social Responsibility Report for more details on 2017 training plan implementation.

iv. Labour outsourcing

Applicable Not Applicable

Chapter IX Corporate Governance Structure

1. Status of the Corporate Governance in JMC

Difference between actual situation of corporate governance in JMC and that of requirements of listed company corporate governance promulgated by CSRC

Applicable Not Applicable

During the reporting period, the Company strictly abided by the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, the Rules Governing Listing of Stock on Shenzhen Stock Exchange, as

well as relevant laws and regulations, to carry out corporate governance activities and continued to improve its corporate governance.

2. Separation between JMC and the Controlling Shareholders in respect of Personnel, Assets and Finance, and Independence concerning Organization and Business:

(1) With respect to personnel matters, the positions of chairman and president are held by different individuals; JMC's senior management do not hold positions other than director positions with its controlling shareholders; JMC senior management personnel are paid by JMC; labor, personnel matters and compensation management of JMC are completely independent.

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

(3) With respect to finance, JMC has an independent finance department and independent accounting system, and has a uniform and independent accounting system and financial control system for its branches and subsidiaries. JMC has its own bank accounts, and there are no bank accounts jointly owned by JMC and its controlling shareholders. JMC pays taxes independently in accordance with relevant laws.

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

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

3. Horizontal Competition

Applicable Not Applicable

4. Introduction to the Shareholders' Meeting

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

Meeting	Meeting Type	Convening Date	Disclosure Date	Index
2017 First Special Shareholders' Meeting	Special Shareholders' Meeting	2017.05.18	2017.05.19	Announcement of this Special Shareholders' Meeting (No: 2017-018) was published in the website Http://www.cninfo.com.cn .
2016 Annual Shareholders' Meeting	Annual Shareholders' Meeting	2017.06.29	2017.06.30	Announcement of this Annual Shareholders' Meeting (No: 2017-025) was published in

				the website Http://www.cninfo.com.cn.
2017 Second Special Shareholders' Meeting	Special Shareholders' Meeting	2017.12.01	2017.12.01	Announcement of this Special Shareholders' Meeting (No: 2017-046) was published in the website Http://www.cninfo.com.cn.

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

Applicable Not Applicable

5. Independent Directors' Performance of Duty

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

Name	Required Board Attendance	Presence in Person	Presence in Form of Paper Meeting	Presence by Proxy	Absence	Not to present in person in two consecutive meetings (Y/N)	Presence at the Shareholders' Meeting
Lu Song	18	4	14	0	0	N	1
Wang Kun	18	2	14	2	0	N	0
Li Xianjun	18	2	14	2	0	N	1

II. Dissent from Independent Directors

Yes No

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

III. Other introduction to Independent Directors' Performance of Duty

Yes No

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

6. 2017 Diligence Report of the Committees under the Board of Directors

I. Work of the Audit Committee

A. Work Summary Report of the Audit Committee

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

- i. The Audit Committee reviewed the Company's internal control work plan and internal control implementation results regularly.
- ii. The Audit Committee reviewed the Eight Accounting Provisions and Write-off proposal and submitted it to the Board for approval.

- iii. The Audit Committee reviewed the proposal on Implementing New Revenue Recognition Standard and submitted it to the Board for approval.
- iv. The Audit Committee reviewed the independent auditor's audit plan, letter of engagement and risks and controls.
- v. The Audit Committee has coordinated with the independent auditor to allow the audit and associated financial report can be submitted within the appointed period.
- vi. The Audit Committee reviewed the financial statements before the certified auditor's on-site audit, after receiving the certified auditor's initial and final audit opinions. The Committee communicated with auditors face to face over important events and major accounting estimations, audit adjustment items and important accounting policies which potentially affect the financial statements, and believes that the financial statements are truthful, accurate and fully reflect the Company's actual status.
- vii. The Audit Committee submitted the Summary Work Report of the Independent Auditor for 2017 to Board for review.
- viii. The Audit Committee reviewed the Internal Control Self-assessment Report and agreed to submit this to the Board for approval.

B. Written Opinions on JMC Financial Statements

The Audit Committee reviewed the unaudited financial statements prepared by the Company and issued its written opinions as follows on January 17, 2018: the Audit Committee reviewed the financial statements compiled by JMC and believes that the financial statements have in all material aspects reflected the actual status of the Company. The Audit Committee would continue to keep in close contact with the external auditor. After receiving the auditor's initial audit comments, the committee would review the financial statements once again.

The Audit Committee reviewed the financial statements prepared by JMC after the external auditor issued its initial audit opinions and issued written opinions as follows on February 25, 2018: the financial statements have been prepared according to China GAAP and the Company's financial policies; and, the financial statements reported gives a true, accurate and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended, in all material respects.

The Audit Committee made resolutions on the audited 2017 financial statements as follows on March 8, 2018: the Audit Committee reviewed the financial statements after the certified public auditor issued its final audit opinion, and the Audit Committee believed that the financial statements reported, including the Balance Sheet, Income Statement and Cash Flow, give a true, accurate and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended, in all material respects. The Audit Committee concurred to submit for Board approval.

C. 2017 Independent Audit Work Summary Report

The Audit Committee reviewed the 2017 Audit Work Plan submitted by the independent auditing firm PwC via communications with the PwC leading auditor. Agreement was achieved regarding timing and content and both parties believe that the plan ensures a comprehensive completion of the 2017 audit tasks.

The independent auditor thoroughly communicated with the management and the Audit Committee Members regarding: accounting policies implementation, revenue recognition, significant accounting estimates related to accrued expenses, accounting treatment for 8 Provisions, Impairment of long term assets, and research and development expenses, related party transaction recognition and fairness and information disclosure. They have also discussed about issues identified and the corrective actions. As a result, all parties have a more in-depth understanding of the business status, financial status and internal control. Therefore, a solid foundation was laid for a fair audit conclusion issued by the independent auditor.

The Audit Committee believed that the external certified auditor had executed the audit work consistently with the requirements of China Certified Auditor Independent Audit Principles. The audit period was adequate and the allocation of personnel resources was sufficient to deliver an audit report which accurately reflects the Company's financial position as at December 31, 2017, and the financial performance and cash flows for the year then ended. The audit conclusion fairly reflects the Company's actual status.

II. 2017 Diligence Report of the Compensation Committee

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

- i. reviewed and approved the Proposal on 2016 Year-end Bonus for the Company's senior executives;
- ii. reviewed and approved the adjustment of the annual total cash income target of the Company's senior executives in 2017;
- iii. reviewed and approved the KPIs for the Company's senior executives in 2017, and;
- iv. reviewed and approved the 2016 Due Diligence Report of the Compensation Committee.

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

The 2017 annual compensation for the Chinese-side senior management was paid upon the principles promulgated in the JMC Executive Compensation Scheme. The 2017 annual compensation for Ford-seconded senior management personnel was paid in accordance with revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates. The annual compensation for the Director and Supervisor that the Company paid abided by JMC salary management system.

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

7. Works of Supervisory Board

Risks found by the Supervisory Board in the reporting period

Yes No

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

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

The Compensation Committee of the Company approved the 2017 year-end bonus plan for the senior executive based on the actual performance of the key performance indicators for the senior executives, which is set out in JMC Executive Compensation Scheme approved by the Board of Directors of the Company, and approved to adjust the Year 2018 total income target of the senior executives. These plans are applicable only to the Chinese-side senior management.

9. Internal Control

I. Major defect of internal control in the reporting period

Yes No

II. Internal Control Self-assessment Report

Issuance date		March 24, 2018
Index		www.cninfo.com.cn
Total value of assets of the entities in scope counts as % of that disclosed in the consolidated financial statements		100.00%
Total value of operating revenue of the entities in scope counts as % of that disclosed in the consolidated financial statements		100.00%
Deficiency Determination Criteria		
Type	Financial Report	Non-financial Report
Qualitative Criteria	<p>Material Weakness: An error that changes the trend of results, changes profit to loss or loss to profit</p> <p>Ineffective anti-fraud process or any fraud involving senior management</p> <p>Ineffective control over accounting policies</p> <p>Ineffective oversight by the Audit Committee</p> <p>Significant Deficiency; Errors in management reporting systems or Corporate accounting records that could lead to incorrect management decisions;</p> <p>Actions inconsistent with Company values, policies and other Corporate guidelines that are likely to significantly impact cost, quality, customer satisfaction, reputation, or competitive advantage;</p> <p>Control issues in IT infrastructure or applications that may lead to impairment of Company operations.</p> <p>Any actions indicating fraud or theft that is significant in value</p> <p>Minor Deficiency; Any control deficiencies that do not meet the criteria for</p>	<p>Material Weakness: Unscientific decision making process such as incorrect decisions that result in unsuccessful mergers and acquisitions; Major regulatory compliance issues; Frequent media reports harmful to the Company's reputation; A lack of control within key business processes or systematic breakdown of control policies</p> <p>Material weakness identified in the self-assessment without any action plan implemented</p> <p>Significant Deficiency; control deficiency, or combination of control deficiencies, that does not meet the criteria for material weakness but deserves the concerns of the Audit Committee and the Board of Directors.</p> <p>Minor Deficiency Any control deficiencies that do not meet the criteria for material or significant.</p>

	material or significant.	
Quantitative Criteria	<p>Material Weakness Misstatement in the Income Statement is more than 5% of the annual profit before taxation; Misclassification in the Income Statement is more than 0.4% of the annual sales revenue Adjustment of net assets in the Balance Sheet is more than 1% of the shareholders' equity Adjustment of asset or liability in the Balance Sheet is more than 0.6% of the total assets; Adjustment in the Cash Flow Statement is more than 3% of the total net cash flow in the operating activities.</p> <p>Significant Deficiency Misstatement in the Income Statement is more than 2.5% of the annual profit before taxation; Misclassification in the Income Statement is more than 0.2% of the annual sales revenue; Adjustment of net assets in the Balance Sheet is more than 0.5% of the Shareholders' equity; Adjustment of asset or liability in the Balance Sheet is more than 0.3% of the Total assets; Adjustment in the Cash Flow Statement is more than 1.5% of the total net cash flow from the operating activities. Minor Deficiency All the deficiencies that do not meet the quantitative criteria for significant.</p>	Please refer to internal control deficiency over financial reporting for the criteria for non-financial reporting internal control.
Number of Material Weakness in financial report		0
Number of Material Weakness in non-financial report		0
Number of Significant Deficiency in financial report		0
Number of Significant Deficiency in non-financial report		0

7. Internal Control Audit Report

Applicable Not Applicable

Opinions in the Internal Control Audit Report
The opinions in the Internal Control Audit Report issued by PwC Zhong Tian are as follows: As of December 31, 2017, JMC maintained adequate control over financial statements in all the material aspects according to the Basic Standard for Enterprise Internal Control and other relevant rules.

Internal Control Audit Report Disclosed or not	Disclosed
Issuance date	March 24, 2018
Index	Http://www.cninfo.com.cn
Type of Opinion	Standard and unqualified opinions
Major Defect regarding non-financial report or no	No

Abnormal opinion issued by the accounting firm

Yes No

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

Yes No

Chapter X Corporate Bond

Whether the Company owns the corporate bond that it lists in the securities exchange and is undue or is not paid in full although it's due
No.

Chapter XI Financial Statements

Type of Audit Report	Standard and Unqualified Opinion
Signature date	March 22, 2018
Name of Auditor	PricewaterhouseCoopers Zhong Tian LLP
Document No. of Audit Report	2018/SH-0106

Independent Auditor's Report

2018/SH-0106
(Page 1 of 5)

To the Shareholders of Jiangling Motors Corporation, Ltd.

Opinion

What we have audited

The consolidated financial statements of Jiangling Motors Corporation, Ltd.(the “Company”) and its subsidiaries (the “Group”) set out on pages 54 to 110, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

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

Independence

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

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Research and development expenditures
- Impairment of long term assets

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Research and development expenditures</p> <p>Refer to note 14 to the consolidated financial statements.</p> <p>We focussed on this area due to the incurred amount of research and development expenditures(RMB2,054,740,000 in 2017), the amount of the development costs capitalised(RMB58,010,000 in 2017), and the fact that there is management’s judgement involved in assessing whether the criteria set out in the accounting policies (note 2.8(2)) required for capitalisation of such development costs had been met, particularly:</p> <ul style="list-style-type: none"> • The technical feasibility of the project. • The likelihood of the project generating sufficient future economic benefits. • The timing to start capitalisation. <p>We had particular regard to the fact that the Group has continued to invest in the technical improvements for its automobile products, and therefore we focussed on the accuracy and completeness of recorded research and development expenditures and whether the economic benefits of the projects under development supported the amounts capitalised.</p> <p>As part of our work we also focused on management’s judgements regarding whether capitalised costs were of a development stage rather than research stage(which would result in the costs being expensed rather than capitalised), and whether costs, including employment(payroll) costs, were</p>	<p>We obtained a breakdown, by value, of all individual research and development projects and reconciled this to the amounts of research and development expenses and capitalised research and development projects, which were recorded in the general ledger, identifying no reconciling differences.</p> <p>We tested the projects where research and development expenses were in excess of RMB48,000,000, together with a sample of randomly selected immaterial projects from the remaining population, as follows:</p> <ul style="list-style-type: none"> • We obtained the lists of expenses by nature on selected projects and inspected contracts and underlying invoices which were directly related to those projects. We also checked the reasonableness of the indirect expenses attributable to relevant projects, including employment costs and depreciation expenses, by understanding the allocating method and inspecting the supporting for the assembling and allocating process of those indirect expenses. • We also checked the recorded research and development costs of those projects with budgeted amounts and discuss with project manager regarding to the status of selected projects. <p>We found no material issues arising from the above procedures.</p> <p>We obtained the lists of capitalised projects and tested those projects with the capitalised amounts over RMB38,000,000. We obtained explanations from management of why those projects were considered to be capital in nature, in terms of how the specific requirements of the relevant accounting standards, most notably of IAS 38 were met. We also conducted interviews with individual project managers responsible for those projects selected to corroborate these explanations, which enabled us to independently assess whether the projects met all the criteria for capitalisation set out in accounting standards. In addition, we viewed the selected projects’ inspection reports at different phases including the reports which indicated that the subject projects entered into developmental stage and related management and board meeting minutes. We found the information we gathered from those documents to be consistent with explanations obtained from individual project managers and to be in line with management’s assessment that the costs met the relevant capitalisation criteria. We considered management’s judgments on whether those selected projects should be capitalised were appropriate.</p>

directly attributable to relevant projects.

2018/SH-0106
(Page 3 of 5)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of long term assets</p> <p>Refer to note 12 to the consolidated financial statements.</p> <p>We focused on this area because JMC Heavy Duty Vehicle Co., Ltd. (“JMCH”), the subsidiary of the Group has incurred accumulated losses of RMB842,256,000 as at 31 December 2017, which indicates there may be impairment on its long term assets, mainly including property, plant and equipment with the amount of RMB1,184,641,000. The determination of whether or not an impairment charge for long term assets for JMCH is necessary to involve significant judgements of management about the future results of the business and assessment of future plans of the JMCH’s operations.</p> <p>Management considers JMCH to be a cash generating unit (“CGU”) and has calculated the recoverable amount of this CGU as the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. The value in use is based on discounted future cash flow forecasts over which the management make judgements on certain key inputs including, for example, discount rates and long term growth rates.</p>	<p>We evaluated management’s impairment calculations assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We found that management had followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge by the directors and which was consistent with the Board’s approved budgets.</p> <p>We challenged:</p> <ul style="list-style-type: none">• the key assumptions for long-term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts;• the discount rate by assessing the cost of capital for the CGU and comparable organisations. <p>We considered the long-term growth rates and cost of capital were reasonably set in place.</p> <p>We discussed the action plans in place and evaluated the reasonableness of those plans, by comparing those action plans with the performance in prior years, automobile industry developing trends and existing market player’s performance. We considered those action plans were reasonably set in place.</p> <p>We also tested whether the required CGU profitability improvement had ever been attained by the relevant CGU historically. We compared the current year actual results with the figures included in the prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. We found the actual results and forecasted figures were consistent.</p> <p>We challenged management on the adequacy of their sensitivity calculations over the CGU. We determined that the calculations were most sensitive to assumptions for revenue growth rates and discount rates. We calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that it was unlikely.</p>

Other Information

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

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

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

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

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

22March 2018

JIANGLING MOTORSCORPORATION, LTD.

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF THE AUDITORS**

31 DECEMBER 2017

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2017	2016
Revenue	5	31,345,747	26,633,949
Taxes and surcharges		(967,011)	(823,494)
Cost of sales	6	(25,045,090)	(20,612,723)
Gross profit		5,333,646	5,197,732
Distribution expenses	6	(2,694,779)	(1,961,535)
Administrative expenses	6	(2,744,600)	(2,498,485)
Impairment charge of non-current assets		(11,850)	(2,795)
Other income	8	632,036	514,415
Operating profit		514,453	1,249,332
Finance income	9	244,300	223,517
Finance expenses	9	(5,079)	(3,882)
Finance income-net	9	239,221	219,635
Share of profit of investments accounted for using the equity method	15b	8,149	12,624
Profit before income tax		761,823	1,481,591
Income tax expense	10	(70,885)	(163,575)
Profit for the year		690,938	1,318,016
Profit attributable to:			
Owners of the Company		690,938	1,318,016
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
- Remeasurements of retirement benefits obligations		(1,616)	(1,083)
- Income tax relating to remeasurements of retirement benefit obligations		404	271
Other comprehensive income for the year, net of tax		(1,212)	(812)
Total comprehensive income for the year		689,726	1,317,204
Total comprehensive income attributable to:			
Owners of the Company		689,726	1,317,204
Earnings per share for profit attributable to the shareholders of the Company for the year (expressed in RMB per share)			
- Basic and diluted	11	0.80	1.53

The notes on pages 59 to 110 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

(All amounts in thousands of RMB unless otherwise stated)

		As at 31 December	
	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	12	6,714,088	6,688,530
Lease prepayment	13	616,834	632,408
Intangible assets	14	197,860	158,160
Investments accounted for using the equity method	15b	37,874	39,893
Other non-current assets		478	97,549
Deferred income tax assets	16	690,253	554,488
Total non-current assets		<u>8,257,387</u>	<u>8,171,028</u>
Current assets			
Financial assets at fair value through profit or loss		-	8,539
Inventories	17	2,339,304	1,934,092
Trade and other receivables and prepayments	18	4,555,934	2,625,808
Cash and cash equivalents	19	11,137,723	11,666,222
Restricted cash		-	463
Assets classified as held for sale	20	93,413	87,637
Total current assets		<u>18,126,374</u>	<u>16,322,761</u>
Total assets		<u>26,383,761</u>	<u>24,493,789</u>

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2017**

(All amounts in thousands of RMB unless otherwise stated)

	Note	As at 31 December	
		2017	2016
EQUITY			
Share capital	21	863,214	863,214
Share premium		816,609	816,609
Other reserves	22	450,914	452,126
Retained earnings		10,441,665	10,277,287
Total equity		12,572,402	12,409,236
LIABILITIES			
Non-current liabilities			
Borrowings	23	3,851	4,543
Deferred income tax liabilities	16	26,736	27,383
Retirement benefit obligations	24	54,764	53,627
Provisions for warranty and other liabilities	25	184,688	130,987
Other non-current liabilities		240	320
Total non-current liabilities		270,279	216,860
Current liabilities			
Financial liabilities at fair value through profit or loss		8,493	-
Trade and other payables	26	13,222,540	11,605,178
Current income tax liabilities		114,906	98,860
Borrowings	23	428	454
Retirement benefit obligations	24	4,420	4,561
Provisions for warranty and other liabilities	25	190,293	153,640
Other current liabilities		-	5,000
Total current liabilities		13,541,080	11,867,693
Total liabilities		13,811,359	12,084,553
Total equity and liabilities		26,383,761	24,493,789

The notes on pages 59 to 110 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Attributable to owners of the Company			Total equity	
		Share capital	Share premium	Other reserves		
Balance at 1 January 2016		863,214	816,609	452,938	9,848,381	11,981,142
Profit for the year		-	-	-	1,318,016	1,318,016
Other comprehensive income						
- Remeasurements of retirement benefit obligations, net of tax		-	-	(812)	-	(812)
Dividends relating to 2015		-	-	-	(889,110)	(889,110)
Balance at 31 December 2016		863,214	816,609	452,126	10,277,287	12,409,236
Balance at 1 January 2017		863,214	816,609	452,126	10,277,287	12,409,236
Profit for the year		-	-	-	690,938	690,938
Other comprehensive income						
- Remeasurements of retirement benefit obligations, net of tax		-	-	(1,212)	-	(1,212)
Dividends relating to 2016	27	-	-	-	(526,560)	(526,560)
Balance at 31 December 2017		863,214	816,609	450,914	10,441,665	12,572,402

The notes on pages 59 to 110 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2017	2016
Cash flows from operating activities			
Cash generated from operations	28	896,721	4,789,706
Interest paid		(226)	(393)
Income tax paid		(221,907)	(196,313)
Net cash generated from operating activities		674,588	4,593,000
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(1,019,830)	(1,144,340)
Other cash paid relating to investing activities		(11,080)	(1,138)
Proceeds from disposal of PPE and Lease prepayment	28	99,726	2,765
Interest received		240,338	248,605
Dividends received		10,168	13,724
Other cash received from investing activities		11,022	5,236
Net cash used in investing activities		(669,656)	(875,148)
Cash flows from financing activities			
Repayments of borrowings		(5,443)	(433)
Dividends paid to shareholders of the Company		(527,117)	(897,770)
Other cash paid relating to financing activities		(871)	(1,467)
Net cash used in financing activities		(533,431)	(899,670)
Net (decrease)/increase in cash and cash equivalents		(528,499)	2,818,182
Cash and cash equivalents at beginning of year		11,666,222	8,848,040
Effects of exchange rate changes		-	-
Cash and cash equivalents at end of year	19	11,137,723	11,666,222

The notes on pages 59 to 110 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017 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 31 December 2017, 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 22 March 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 YEAR ENDED 31 DECEMBER 2017
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

Standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2017 are not material to the Group.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 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 9 Financial instruments

Nature of change

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Impact

The Group has reviewed its financial assets and liabilities and is expecting no significant impact from the adoption of the new standard on 1 January 2018. The financial instruments of the Group that are currently classified as financial assets or liabilities at fair value through profit and loss satisfied the conditions for classification as fair value through profit and loss under IFRS 9. Hence there will be no significant change to the accounting for these assets or liabilities.

Date of adoption by the Group

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group will apply the new rules from 1 January 2018.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
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 (continued)

(b) New standards and interpretations not yet adopted (continued)

- IFRS 15 Revenue from contracts with customers

Nature of change

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and no significant impact has been identified except for the reclassification from distribution expenses as a deduction of revenue when accounting for the payment to customers under IFRS 15.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- 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 YEAR ENDED 31 DECEMBER 2017 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 YEAR ENDED 31 DECEMBER 2017
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 YEAR ENDED 31 DECEMBER 2017
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 YEAR ENDED 31 DECEMBER 2017
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 YEAR ENDED 31 DECEMBER 2017
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 YEAR ENDED 31 DECEMBER 2017
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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition

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

(1) Sales of goods

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

(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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 31 December 2017, 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 RMB20,650,000 (2016:RMB35,091,000) higher/lower.

As at 31 December 2017, 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 RMB9,263,000 (2016: RMB5,269,000) 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 31 December 2017, 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 31 December 2017, 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 RMB19,352,000 (2016: RMB17,570,000).

(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 31 December 2017, the Group had cash of approximately RMB1,120,806,000(2016: RMB874,990,000) 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 receivable shave 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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management(continued)

3.1 Financial risk factors(continued)

(3) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group 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 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>
At 31 December 2016				
Bank borrowings				
- Principals	454	454	1,363	2,726
- Interests	73	66	158	133
Trade and other payables	11,053,248	-	-	-
	<u>11,053,775</u>	<u>520</u>	<u>1,521</u>	<u>2,859</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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December 2017 and 2016 were as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Total borrowings	4,279	4,997
Total equity	12,572,402	12,409,236
Total capital	<u>12,576,681</u>	<u>12,414,233</u>
Gearing ratio	<u>0.03%</u>	<u>0.04%</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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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 31 December 2017, the Group recorded the deferred tax assets of approximately RMB690,253,000. 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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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.

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

6 Expenses by nature

	<u>2017</u>	<u>2016</u>
Changes in inventories of finished goods and work in progress	(139,613)	(73,156)
Raw materials and consumables used	22,457,906	18,390,006
Employee benefit expense (Note 7)	2,087,061	1,874,861
Depreciation of PPE (Note 12, 28)	794,470	684,383
Repairs and maintenance expenditure on PPE	175,690	153,193
Research and development expenditure	1,996,730	1,812,726
Amortisation of lease prepayment (Note 13, 28)	15,574	15,594
Amortisation of intangible assets (Note 14, 28)	11,566	10,057
Provision of warranty	313,289	261,430
Others	2,731,840	1,907,004
Total cost of sales, distribution expenses and administrative expenses	<u>30,444,513</u>	<u>25,036,098</u>

For the year ended 31 December 2017, depreciation of PPE of approximately RMB50,630,000 (2016: RMB45,344,000) and amortisation of intangible assets of approximately RMB29,009,000 (2016: RMB10,465,000) were included in research and development expenditure.

Impairment charge for trade and other receivables of approximately RMB5,301,000 (2016: RMB8,952,000) and impairment charge for inventories of approximately RMB34,655,000 (2016: RMB27,693,000), which were included in administrative expenses, were not included in expenses by nature.

7 Employee benefit expense

	<u>2017</u>	<u>2016</u>
Wages and salaries	1,463,528	1,330,140
Social security costs	204,839	175,862
Pension costs – defined contribution plans	251,727	220,736
Pension costs – defined benefit plans (Note 24)	4,251	5,026
Others	162,716	143,097
	<u>2,087,061</u>	<u>1,874,861</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.

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017**
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

8 Other income

	<u>2017</u>	<u>2016</u>
Government grants (a)	640,577	517,797
Others	<u>(8,541)</u>	<u>(3,382)</u>
	<u>632,036</u>	<u>514,415</u>

- (a) In 2017, the Group received grants of approximately RMB640,577,000, mainly from Finance Bureau of Nanchang, Finance Bureau of Nanchang Qingyunpu District, Economic Development District Administrative Commission of Xiaolan, the Finance Department of Shanxi Province and the Finance Bureau of Economic and Technological Development District Administrative Commission of Taiyuan. 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

	<u>2017</u>	<u>2016</u>
(a) Finance income		
Interest income on bank deposits	230,693	209,023
Interest income on credit sales	13,607	14,494
	<u>244,300</u>	<u>223,517</u>
(b) Finance expenses		
Interest expense on bank loans	(225)	(175)
Bank charges and others	(4,854)	(3,707)
	<u>(5,079)</u>	<u>(3,882)</u>
Net finance income	<u>239,221</u>	<u>219,635</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 (2016: 15%). The CIT rates of JMC Heavy Duty Vehicle Co., Ltd. ("JMCH") and Jiangling Motor Sales Co, Ltd. ("JMCS"), the subsidiaries of the Company, are 25%.

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

	<u>2017</u>	<u>2016</u>
Current tax	206,893	244,868
Deferred tax (Note 16)	<u>(136,008)</u>	<u>(81,293)</u>
	<u>70,885</u>	<u>163,575</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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:

	<u>2017</u>	<u>2016</u>
Profit before tax	761,823	1,481,591
Tax calculated at tax rates applicable to profits in the respective companies	96,654	220,400
Tax concessions	(28)	(105)
Expenses not deductible for tax purposes	726	665
Income not subject to tax	(80,267)	(85,519)
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	(2,714)	11,242
Utilisation of previously temporary differences for which no deferred income tax asset was recognised	-	(14,614)
Temporary differences for which no deferred income tax asset was recognised	18,615	-
Tax losses for which no deferred income tax asset was recognised	37,899	31,506
Tax charge	<u>70,885</u>	<u>163,575</u>

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

	<u>2017</u>			<u>2016</u>		
	Before tax	Tax credit	After tax	Before tax	Tax credit	After tax
Actuarial loss on retirement benefit obligations	(1,616)	404	(1,212)	(1,083)	271	(812)
Other comprehensive income	(1,616)	404	(1,212)	(1,083)	271	(812)
Current tax		-			-	
Deferred tax (Note 16)		404			271	
		<u>404</u>			<u>271</u>	

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

10 Taxation (continued)

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

Output VAT is levied at a general rate of 17% on the selling price of goods. Pursuant to the "Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax" (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, the rental income and interest income are subject to VAT from 1 May 2016, and the applicable tax rates are 11% and 6% respectively, while the business taxes were 5% before then.

(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.

	<u>2017</u>	<u>2016</u>
Profit attributable to shareholders of the Company	690,938	1,318,016
Weighted average number of ordinary shares in issue ('000)	<u>863,214</u>	<u>863,214</u>
Basic earnings per share (RMB)	<u>0.80</u>	<u>1.53</u>

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2017.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

12 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Electronic and other equipment	Assets under constructions	Total
At 1 January 2016							
Cost	1,802,523	3,193,284	219,587	1,591,116	2,384,260	1,637,474	10,828,244
Accumulated depreciation and impairment	(327,994)	(1,657,416)	(106,346)	(1,227,369)	(1,184,881)	(692)	(4,504,698)
Net book amount	1,474,529	1,535,868	113,241	363,747	1,199,379	1,636,782	6,323,546
Year ended 31 December 2016							
Opening net book amount	1,474,529	1,535,868	113,241	363,747	1,199,379	1,636,782	6,323,546
Additions	-	-	-	-	-	1,138,940	1,138,940
Transfers	63,567	422,097	55,408	621,285	498,413	(1,660,770)	-
Disposals	(100)	(774)	(3,182)	(736)	(178)	-	(4,970)
Other deductions	-	(18,969)	-	-	(2,712)	(14,784)	(36,465)
Impairment charge (Note 28)	-	(1,717)	(50)	-	(1,027)	-	(2,794)
Depreciation charge (Note 6, 28)	(45,595)	(198,266)	(26,648)	(177,019)	(282,199)	-	(729,727)
Closing net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
At 31 December 2016							
Cost	1,865,850	3,526,187	262,667	2,206,895	2,862,436	1,100,860	11,824,895
Accumulated depreciation and impairment	(373,449)	(1,787,948)	(123,898)	(1,399,618)	(1,450,760)	(692)	(5,136,365)
Net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Year ended 31 December 2017							
Opening net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Additions	-	-	-	-	-	921,700	921,700
Transfers	230,556	517,758	33,133	220,145	320,019	(1,321,611)	-
Disposals	(370)	(351)	(4,562)	-	(617)	-	(5,900)
Classified as held for sale	(5,777)	-	-	-	-	-	(5,777)
Other deductions	-	(4,817)	-	-	(433)	(22,265)	(27,515)
Impairment charge (Note 28)	-	(8,061)	(352)	-	(3,021)	(416)	(11,850)
Depreciation charge (Note 6, 28)	(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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

12 Property, plant and equipment (continued)

For the year ended 31 December 2017, depreciation expense of approximately RMB738,069,000 (2016: RMB620,518,000) has been charged in cost of sales, RMB2,841,000 (2016: RMB2,865,000) in distribution costs and RMB104,190,000 (2016: RMB106,344,000) in administrative expenses.

Lease rental expenses amounting to RMB8,962,000 (2016: RMB8,892,000) 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>31 December 2017</u>	<u>31 December 2016</u>
Opening net book amount	632,408	645,608
Additions	-	2,394
Amortisation charge (Note 6,28)	<u>(15,574)</u>	<u>(15,594)</u>
Closing net book amount	<u>616,834</u>	<u>632,408</u>
Cost	751,626	751,626
Accumulated amortisation	<u>(134,792)</u>	<u>(119,218)</u>
Net book amount	<u>616,834</u>	<u>632,408</u>

Amortisation expense was charged in administrative expenses.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets

	Non-patent technology	Software	Goodwill	After-sale management model	Other	Total
Year ended 31 December 2016						
Opening net book amount	-	38,225	3,462	-	18	41,705
Addition	124,587	12,390	-	-	-	136,977
Amortisation charge (Note 6, 28)	(8,694)	(11,818)	-	-	(10)	(20,522)
Closing net book amount	115,893	38,797	3,462	-	8	158,160
At 31 December 2016						
Cost	124,587	98,017	89,028	36,978	1,649	350,259
Accumulated amortisation and impairment	(8,694)	(59,220)	(85,566)	(36,978)	(1,641)	(192,099)
Net book amount	115,893	38,797	3,462	-	8	158,160
Year ended 31 December 2017						
Opening net book amount	115,893	38,797	3,462	-	8	158,160
Addition	58,010	22,265	-	-	-	80,275
Amortisation charge (Note 6, 28)	(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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets (continued)

- (a) For the year ended 31 December 2017, amortisation expense of approximately RMB39,614,000 (2016: RMB20,027,000) was charged in administrative expenses, RMB621,000 (2016: RMB297,000) in cost of sales and RMB340,000 (2016: RMB198,000) in distribution costs.
- (b) Development costs of approximately RMB58,010,000 (2016: RMB124,587,000) were capitalised as non-patent technology by the Group in 2017.
- (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 2016	Addition	Impairment	31 December 2017
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 key assumptions used for value in use calculations in 2016 were as follows:

Item	JMCH
Compound annual volume growth rate	283%
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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

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

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:

	31 December 2017	31 December 2016
Associate	37,874	39,893

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

	2017	2016
Share of profit	8,149	12,624

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

	2017	2016
At beginning of the year	208,317	214,061
Profit for the year	42,555	65,920
Dividends distributed	(53,098)	(71,664)
At end of the year	197,774	208,317
Interest in associate	19.15%	19.15%
Carrying value	37,874	39,893

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

16 Deferred income tax

	<u>31 December 2017</u>	<u>31 December 2016</u>
Deferred tax assets	757,877	590,899
Deferred tax liabilities-can be offset	(67,624)	(36,411)
Deferred tax liabilities-cannot be offset	<u>(26,736)</u>	<u>(27,383)</u>
Deferred tax assets-net	690,253	554,488
Deferred tax liabilities-net	<u>(26,736)</u>	<u>(27,383)</u>

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
At beginning of the year	527,105	445,541
Credited to profit or loss(Note 10(a))	136,008	81,293
Credited to other comprehensive income (Note 10(a))	404	271
At end of the year	<u>663,517</u>	<u>527,105</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 2016	6,207	13,339	460,044	-	519	480,109
Credited to profit or loss	1,379	484	107,442	1,087	127	110,519
Credited to other comprehensive income	-	271	-	-	-	271
At 31 December 2016	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	<u>12,149</u>	<u>13,543</u>	<u>723,387</u>	<u>4,505</u>	<u>4,293</u>	<u>757,877</u>

	Amortisation of intangible assets	PPE depreciation	Fair value gains	Forward exchange contracts	Total
Deferred tax liabilities					
At 1 January 2016	(2,760)	(3,404)	(28,392)	(12)	(34,568)
(Charged)/credited to profit or loss	(1,936)	(27,030)	1,009	(1,269)	(29,226)
At 31 December 2016	(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	<u>(3,545)</u>	<u>(64,079)</u>	<u>(26,736)</u>	<u>-</u>	<u>(94,360)</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

16 Deferred income tax (continued)

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	17,453	14,493
- Deferred tax asset to be recovered within 12 months	740,424	576,406
	<u>757,877</u>	<u>590,899</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(90,097)	(60,365)
- Deferred tax liabilities to be recovered within 12 months	(4,263)	(3,429)
	<u>(94,360)</u>	<u>(63,794)</u>

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Deductible temporary differences	114,642	40,182
Tax losses	420,977	279,585
	<u>535,619</u>	<u>319,767</u>

The expiry years of the tax losses are as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
2018	44,319	44,319
2019	36,772	36,772
2020	72,470	72,470
2021	115,820	126,024
2022	151,596	-
	<u>420,977</u>	<u>279,585</u>

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

17 Inventories

	<u>31 December 2017</u>	<u>31 December 2016</u>
Raw materials	1,566,589	1,300,443
Work in progress	208,981	193,152
Finished goods	563,734	440,497
	<u>2,339,304</u>	<u>1,934,092</u>

For the year ended 31 December 2017, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB22,318,293,000 (2016: RMB18,316,850,000).

A provision of approximately RMB45,130,000 (2016: RMB26,491,000) was made as at 31 December 2017. The Group reversed approximately RMB6,187,000 of a previous inventory write-down in 2017. In 2017, the Group wrote-off inventories with provision of approximately RMB16,016,000 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 31 December 2017, no inventory was pledged as security for liabilities.

18 Trade and other receivables and prepayments

	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade receivables	2,328,135	1,188,088
Less: Provision for impairment of trade receivables	(21,016)	(15,940)
Trade receivables – net	<u>2,307,119</u>	<u>1,172,148</u>
Notes receivables	654,335	498,875
Other receivables	131,617	86,581
Less: Provision for impairment of other receivables	(658)	(433)
Other receivables – net	<u>130,959</u>	<u>86,148</u>
Prepayments	1,384,304	796,833
Interest receivables	79,217	71,804
	<u>4,555,934</u>	<u>2,625,808</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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

18 Trade and other receivables and prepayments(continued)

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
At beginning of the year	(16,373)	(7,611)
Provision for receivables impairment (Note 28)	(5,301)	(8,952)
Receivables written off during the year as uncollectible	-	190
At end of the year	<u>(21,674)</u>	<u>(16,373)</u>

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

As at 31 December 2017, trade receivables of approximately RMB106,141,000 (2016: RMB71,342,000) were past due but not impaired. These balances related to a number of independent customers for whom there was no recent history of default. The ageing analysis of these trade receivables based on past due date is as below:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Up to 3 months	32,715	2,976
3 months to 6 months	50,022	25,787
Over 6 months	23,404	42,579
	<u>106,141</u>	<u>71,342</u>

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

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

19 Cash and cash equivalents

	<u>31 December 2017</u>	<u>31 December 2016</u>
Cash at bank and in hand	2,046,999	790,373
Short-term bank deposits (a)	<u>9,090,724</u>	<u>10,875,849</u>
	<u>11,137,723</u>	<u>11,666,222</u>

As at 31 December 2017, the Group had cash of approximately RMB1,120,806,000 (2016: RMB874,990,000) deposited in JMCF (Note 31 (i)). The interest rates range from 1.495%-2.25% per annum (2016: 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>31 December 2017</u>	<u>31 December 2016</u>
Lease prepayment and buildings of Transit plant	<u>93,413</u>	<u>87,637</u>

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 will sell its land use right and buildings of Transit plant, with a consideration of RMB135,000,000 to Nanchang Land Reserve Centre.

As those aforementioned assets met the criteria of assets classified as held for sale, they were reclassified as current assets and presented separately in the consolidated statement of financial position.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 2016					
Balance at 1 January 2016	863,214	1,726	517,488	344,000	863,214
Transfer	-	-	-	-	-
Balance at 31 December 2016	863,214	1,726	517,488	344,000	863,214
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

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, 907,000 shares were still restricted as at 31 December 2017.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

22 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
At 1 January 2016	431,607	18,627	2,704	452,938
Other comprehensive income -Remeasurements of retirement benefit obligation, net of tax	-	-	(812)	(812)
At 31 December 2016	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

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

As the balance of the statutory surplus reserve fund has reached 50% of the Company's share capital, no further appropriations to the statutory surplus reserve fund were provided for the years ended 31 December 2016 and 2017.

23 Borrowings

	31 December 2017	31 December 2016
Current		
Bank borrowings-guaranteed (a)	428	454
Non-current		
Bank borrowings-guaranteed(a)	3,851	4,543
Total borrowings	4,279	4,997

- (a) Bank borrowings of USD655,000 (equivalent to approximately RMB4,279,000) (2016: USD720,000, equivalent to approximately RMB4,997,000) were guaranteed by JMCF (Note 31 (c)).

The interest rate of bank borrowings is 1.50% per annum (2016: 1.50%).

The fair value of borrowings approximates their carrying values.

JIANGLING MOTORS CORPORATION, LTD.

**FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

23 Borrowings (continued)

The maturity of non-current borrowings is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Between 1 and 2 years	428	454
Between 2 and 5 years	1,284	1,363
Over 5 years	2,139	2,726
	<u>3,851</u>	<u>4,543</u>

The Group has the following undrawn borrowing facilities:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Fixed rate		
- Expiring within one year	<u>2,113,140</u>	<u>1,390,868</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>31 December 2017</u>	<u>31 December 2016</u>
Present value of defined benefits obligations	<u>59,184</u>	<u>58,188</u>

The movement of early retirement and supplemental benefit obligations for the year ended 31 December 2017 is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
At beginning of the year	58,188	56,833
For the year		
- Current service cost	1,804	1,325
- Interest cost	1,951	1,633
- Payment	(4,871)	(4,754)
- Past service cost from the change of plan	670	1,486
- Actuarial loss	1,442	1,665
At end of the year	<u>59,184</u>	<u>58,188</u>
Current	4,420	4,561
Non-current	<u>54,764</u>	<u>53,627</u>
	<u>59,184</u>	<u>58,188</u>

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

- (1) Discount rate adopted: 4.25% (2016: 3.50%).
- (2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 6% (2016: 0% to 6%).
- (3) Mortality: average life expectancy of residents in the PRC.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

24 Retirement benefits obligations (continued)

Based on the assessment and IAS 19, the Group estimated that, at 31 December 2017, a provision of approximately RMB59,184,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB59,184,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB4,420,000 (2016: RMB4,561,000) has been included under current liabilities.

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 5.4%/6.0%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.5%/2.2%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 0.6%/0.7%

For the year ended 31 December 2017, approximately RMB4,251,000 (2016: RMB5,026,000) were charged in 'administrative expenses' and approximately RMB1,616,000 (2016: RMB1,083,000) were charged in other comprehensive income.

25 Provisions for warranty and other liabilities

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

	31 December 2017	31 December 2016
At beginning of the year	284,627	214,722
Charged for the year (Note 6)	313,289	261,430
Utilised during the year	(222,935)	(191,525)
At end of the year	<u>374,981</u>	<u>284,627</u>

Analysis of total provisions:

	31 December 2017	31 December 2016
Non-current	184,688	130,987
Current	<u>190,293</u>	<u>153,640</u>
	<u>374,981</u>	<u>284,627</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.

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

26 Trade and other payables

	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade payables	8,603,320	7,731,169
Payroll and welfare payable	273,666	289,283
Dividend payables	4,969	5,840
Other payables	4,340,585	3,578,886
	<u>13,222,540</u>	<u>11,605,178</u>

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

27 Dividends

A final dividend for 2016 of RMB526,560,000 (RMB0.61 per share) was paid in 2017.

A special interim dividend for 2017 of RMB2.317 per share, amounting to a total dividend of RMB2,000,067,000 was proposed at the Board of Directors' Meeting on 12 January 2018, and such dividend was approved by the shareholders at 2018 First Extraordinary General Meeting on 6 February 2018. These financial statements do not reflect this dividend payable.

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 to be approved by the shareholders at the Annual General Meeting. These financial statements do not reflect this dividend payable.

28 Cash generated from operations

	<u>2017</u>	<u>2016</u>
Profit before tax	761,823	1,481,591
Depreciation of PPE (Note 6, 12)	845,100	729,727
Amortisation of lease prepayment (Note 6, 13)	15,574	15,594
Amortisation of intangible assets (Note 6, 14)	40,575	20,522
Impairment charges of PPE (Note 12)	11,850	2,794
Provision for receivables impairment (Note 18)	5,301	8,952
Provision of inventories (Note 17)	34,655	27,693
Loss on disposals of PPE	976	2,550
Finance expenses (Note 9)	4,386	3,325
Finance income (Note 9)	(244,300)	(223,517)
Net foreign exchange transaction (gain)/loss	(4,423)	24,707
Share of profit from investment accounted for using equity method (Note 15b)	(8,149)	(12,624)
Investment loss/(gain) of forward exchange contracts	58	(4,098)
Changes on fair value of forward exchange contracts	17,032	(8,462)
Changes in working capital:		
- Increase in inventories	(488,115)	(260,023)
- (Increase)/decrease in trade and other receivables	(1,804,557)	90,460
- Increase in provisions for warranty	90,354	69,905
- Increase in trade and other payables	1,619,201	2,820,338
- (Decrease)/increase in pensions and other retirement benefits	(620)	272
Cash generated from operations	<u>896,721</u>	<u>4,789,706</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

28 Cash generated from operations(continued)

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

	Year ended 31 December	
	2017	2016
Net book amount	5,900	4,970
Loss on disposal of PPE	(976)	(2,550)
Offset with trade and other payables	94,802	345
Proceeds from disposal of PPE	<u>99,726</u>	<u>2,765</u>

(a) As at December 2017, The Company received the second phase disposal payment, RMB 94,500,000 of lease prepayment and buildings on the ground of Transit plant (Note 20).

29 Contingencies

At 31 December 2017, 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:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Contracted but not provided for:		
Purchases of buildings, plant and machinery	<u>477,482</u>	<u>572,773</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. ("JM H"), which owns 41.03% of the Company's shares, and Ford Motor Company ("Ford"), which owns 32% of the Company's shares, are major shareholders of the Company as at 31 December 2017. The shareholders of JM H are Chongqing Changan Automobile Corporation Ltd. and JMCG, and both of them hold 50% equity interest of JM H, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, JM H and its subsidiaries and joint venture, Ford and its subsidiaries and joint venture in the ordinary course of business during the year ended 31 December 2017.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

For the year ended 31 December 2017, related parties, other than the subsidiary, and their relationship with the Group are as follows:

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Purchase of goods	2017	2016
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	943,608	690,097
Jiangxi Jiangling Chassis Co.,Ltd.	888,703	805,642
Ford	830,603	523,858
GETRAG (Jiangxi) Transmission Company	813,926	656,595
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	764,437	700,309
Jiangxi Jiangling Lear Interior System Co.,Ltd.	550,290	569,823
Nanchang Jiangling HuaXiang Auto Components Co.,Ltd.	543,846	390,959
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	479,447	329,198
Nanchang Unistar Electric & Electronics Co.,Ltd.	275,937	216,295
Hanon Systems	252,848	233,974
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	221,553	95,192
Changan Ford Automobile Co.,Ltd.	191,815	208,819
Auto Alliance (Thailand) Co., Ltd.	188,931	86,082
Jiangxi JMCG Specialty Vehicles Co., Ltd.	178,147	186,315
JMCG	112,201	87,317
Nanchang JMCG Skyman Auto Component Co.,Ltd.	77,718	69,143
Nanchang Lianda Machinery Co.,Ltd.	66,691	69,312
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	64,907	45,933
Nanchang Yinlun Heat-exchanger Co.,Ltd.	56,232	52,415
Ford Otomotiv Sanayi A.S.	47,775	15,676
Jiangling Aowei Automobile Spare Part Co.,Ltd.	31,737	33,051
Jiangling Material Co.,Ltd.	29,441	25,503
Nanchang JMCG Xincheng Auto Component Co.,Ltd.	23,097	30,756
Nanchang Gear Co.,Ltd.	18,758	19,394
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	12,129	-
Jiangxi ISUZU Engine Co.,Ltd.	10,028	1,039
Jiangxi Biaohong Engine Tappet Co.,Ltd.	8,329	8,847
JMCG Hequn Costume Co.,Ltd.	6,885	6,016
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	6,567	6,994
Jiangxi JMCG Industry Co.,Ltd.	5,683	1,612
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd.	3,956	1,160
JMCG Jiangxi Engineering Construction Co., Ltd.	2,520	-
Jiangxi Jiangling Material Utilization Co.,Ltd.	-	1,769
Others	3	8,548
	<u>7,708,748</u>	<u>6,177,643</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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Purchase of services	Natures of transaction	2017	2016
Nanchang JMCG Shishun Logistics Co., Ltd.	Truckage/Transportation	304,852	179,326
Ford	Engineering service and design	286,361	287,301
Ford Global Technologies, LLC	Royalty fee	250,088	143,109
Ford Otomotiv Sanayi A.S.	Engineering service and design	74,245	252,248
JMCG Jiangxi Engineering Construction Co., Ltd.	Engineering construction and maintenance	64,940	21,636
Nanchang Hengou Industry Co., Ltd.	Packing/Truckage	53,218	61,692
Jiangxi JMCG Industry Co.,Ltd.	Working meal	33,451	30,568
Ford	Secondments costs	33,331	37,716
Ford Otomotiv Sanayi A.S.	Secondments costs	30,773	31,996
JMH	Royalty fee	29,434	-
Ford Otomotiv Sanayi A.S.	Royalty fee	25,143	16,347
Changan Ford Automobile Co.,Ltd.	Channel fee/Design fee	15,091	1,650
GETRAG (Jiangxi) Transmission Company	Design fee	11,572	-
Ford Motor (China) Co., Ltd.	Regional personnel costs	5,763	4,321
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	Design fee	5,615	-
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business of importation	4,243	4,842
Jiangxi Jiangling Lear Interior System Co.,Ltd.	Experimental manufacturing costs/Design fee	3,649	12,665
Ford Motor (China) Co., Ltd.	Software fee	3,327	-
Hanon Systems	Experimental manufacturing costs	2,263	2,479

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Purchase of services	Natures of transaction	2017	2016
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Promotion	2,200	2,022
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	2,107	2,908
JMCG Property Management Co.	Property management	2,040	2,384
JMH	Secondments costs	1,904	1,282
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Experimental manufacturing costs	1,824	1,309
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Promotion/Repairment	972	1,619
JMCG	Public relations costs	576	1,119
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Experimental manufacturing costs	331	2,158
Others	Design fee/Labor fee	3,154	1,075
		<u>1,252,467</u>	<u>1,103,772</u>

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

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)**(a) Purchases and sales of goods, provision and purchases of services(continued)**

Sales of goods	2017	2016
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,047,618	1,184,310
JMH	148,459	3,428
Jiangxi JMCG Specialty Vehicles Co., Ltd.	95,331	152,519
Jiangxi Jiangling Chassis Co.,Ltd.	83,408	79,391
Nanchang Hengou Industry Co., Ltd.	79,976	4,272
JMCG Jingma Motors Co., Ltd.	79,196	80,192
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	67,557	48,545
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	62,507	53,764
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd.	55,274	8,757
Nanchang JMCG Shishun Logistics Co.,Ltd.	25,408	581
Jiangxi JMCG Yicheng Second-hand Motors Sales Co., Ltd.	23,259	18,868
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	22,006	6,942
Nanchang Jiangling HuaXiang Auto Components Co.,Ltd.	18,650	7,453
Jiangxi JMCG Industry Co.,Ltd.	7,563	8,557
Jiangxi Jiangling Lear Interior System Co.,Ltd.	7,467	13,567
JMCG Property Management Co.	7,129	7,228
Jiangxi ISUZU Co., Ltd.	1,896	1,885
Jiangxi Jiangling Material Utilization Co.,Ltd.	-	30,047
Others	1,396	9,465
	<u>1,834,100</u>	<u>1,719,771</u>

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

Provision of services	2017	2016
Ford Motor Company of Australia Limited	<u>-</u>	<u>6,706</u>

The Group provided the services to related parties, based on agreement price.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

(b) Rental

Rental cost

Lessor	Category	Rental cost of 2017	Rental cost of 2016
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Building	4,400	4,400
JMCG	Building	4,140	4,069
JMCG Property Management Co.	Building	422	423
		<u>8,962</u>	<u>8,892</u>

Rental income

Lessee	Category	Rental income of 2017	Rental income of 2016
Jiangling Material Co., Ltd.	Building	132	132
JMH	Building	55	107
GETRAG (Jiangxi) Transmission Company	Building	3	70
		<u>190</u>	<u>309</u>

(c) Guarantee

As at 31 December 2017, bank loans of USD655,000 (equivalent to approximately RMB4,279,000) (2016: USD720,000, equivalent to approximately RMB4,997,000) were guaranteed by JMCF (Note 23).

(d) Sales of PPE

	2017	2016
Jiangxi JMCG Industrial Co., Ltd.	<u>5</u>	<u>15</u>

(e) Purchase of PPE

	2017	2016
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	-	8,262
Jiangxi JMCG Specialty Vehicles Co., Ltd.	1,000	-
	<u>1,000</u>	<u>8,262</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

(f) Provide technique sharing

	<u>2017</u>	<u>2016</u>
JMCG	-	92,453
Ford Vietnam Limited	-	1,149
	<u>-</u>	<u>93,602</u>

(g) Key management remuneration

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and members of the Supervisory Board. During the year ended 31 December 2017, the total remuneration of the key management was approximately RMB13,598,000(2016: RMB11,786,000).

(h) Interest received from cash deposit in related parties

	<u>31 December 2017</u>	<u>31 December 2016</u>
JMCF	20,156	10,037

In 2017, the interest rates range from 1.495% to 2.25% per annum (2016: 1.495% to 2.25%).

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

Trade receivables from related parties	<u>31 December 2017</u>	<u>31 December 2016</u>
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	171,475	230,848
JMH	170,853	1,664
Nanchang JMCG Shishun Logistics Co., Ltd.	14,731	-
JMCG Jingma Motors Co., Ltd.	8,543	10,530
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	5,913	-
Nanchang Jiangling HuaXiang Auto Components Co.,Ltd.	3,765	3,304
Nanchang Hengou Industry Co., Ltd.	1,508	1,694
Jiangxi JMCG Industry Co.,Ltd.	260	2,036
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	-	1,360
Ford Vietnam Limited	-	1,149
Others	289	135
	<u>377,337</u>	<u>252,720</u>
Other receivables from related parties	<u>31 December 2017</u>	<u>31 December 2016</u>
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	42,356	30,338
Ford	5,158	73
GETRAG (Jiangxi) Transmission Company	2,770	-
Ford Otomotiv Sanayi A.S.	-	1,225
Others	964	849
	<u>51,248</u>	<u>32,485</u>

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)**(i) Balances arising from sales/purchases of goods/services (continued)**

Prepayments for purchasing of goods	31 December 2017	31 December 2016
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	457,613	410,220
Ford Otomotiv Sanayi A.S.	31,069	-
	<u>488,682</u>	<u>410,220</u>
Notes receivables from related parties	31 December 2017	31 December 2016
JMCG Jingma Motors Co., Ltd.	<u>48,491</u>	<u>44,827</u>
Prepayments for construction in progress	31 December 2017	31 December 2016
JMCG Jiangxi Engineering Construction Co., Ltd.	2,231	8,106
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	572	273
Jiangxi JMCG Specialty Vehicles Co., Ltd.	500	-
	<u>3,303</u>	<u>8,379</u>
Prepayments for mould lease	31 December 2017	31 December 2016
Changan Ford Automobile Co., Ltd.	<u>11,990</u>	<u>32,528</u>
Cash deposit in related parties	31 December 2017	31 December 2016
JMCF (Note 19)	<u>1,120,806</u>	<u>874,990</u>

JIANGLING MOTORS CORPORATION, LTD.**FOR THE YEAR ENDED 31 DECEMBER 2017****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)**(i) Balances arising from sales/purchases of goods/services (continued)**

Trade payables to related parties	31 December 2017	31 December 2016
Jiangxi Jiangling Lear Interior System Co.,Ltd.	352,627	381,357
Jiangxi Jiangling Chassis Co.,Ltd.	303,148	267,405
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	262,946	255,916
GETRAG (Jiangxi) Transmission Company	251,080	180,956
Nanchang Jiangling HuaXiang Auto Components Co.,Ltd.	243,796	210,407
Jiangxi JMCG Specialty Vehicles Co., Ltd.	209,228	286,710
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	153,529	144,608
Hanon Systems	135,846	87,404
Nanchang Unistar Electric & Electronics Co.,Ltd.	118,889	50,575
Ford	86,504	117,540
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	83,113	43,618
JMCG	74,918	73,518
Changan Ford Automobile Co.,Ltd.	68,221	113,485
Nanchang JMCG Skyman Auto Component Co.,Ltd.	36,998	23,538
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	30,751	17,778
Ford Otomotiv Sanayi A.S.	29,711	2,687
Nanchang Yinlun Heat-exchanger Co.,Ltd.	25,151	20,612
Nanchang Lianda Machinery Co.,Ltd.	24,651	23,570
Jiangling Aowei Automobile Spare Part Co.,Ltd.	17,142	13,475
Auto Alliance (Thailand) Co.,Ltd.	17,000	12,004
Jiangxi ISUZU Engine Co.,Ltd.	11,714	81
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	10,490	-
Nanchang Gear Co.,Ltd.	7,902	5,777
Nanchang JMCG Xinchun Auto Component Co.,Ltd.	5,334	10,194
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	4,009	2,137
Jiangxi Biaohong Engine Tappet Co.,Ltd.	2,891	2,362
Jiangxi JMCG Industry Co.,Ltd.	2,394	188
Jiangxi Jiangling Material Utilization Co.,Ltd.	1,712	612
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,007	3,654
Jiangling Material Co.,Ltd	1,002	933
Others	293	2,776
	<u>2,573,997</u>	<u>2,355,877</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE YEAR ENDED 31 DECEMBER 2017
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Other payables to related parties	31 December 2017	31 December 2016
Ford Otomotiv Sanayi A.S.	134,059	232,672
Ford	104,814	176,871
Ford Global Technologies, LLC	62,410	58,517
JMCG Jiangxi Engineering Construction Co., Ltd.	36,818	12,511
JMH	30,000	1,303
Jiangxi Jiangling Lear Interior System Co.,Ltd.	11,455	16,154
Nanchang JMCG Shishun Logistics Co., Ltd.	10,751	3,944
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	8,521	422
GETRAG (Jiangxi) Transmission Company	6,309	1,550
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	4,860	3,751
Nanchang Jiangling HuaXiang Auto Components Co.,Ltd.	3,693	6,157
Nanchang Hengou Industry Co., Ltd.	3,498	11,378
Changan Ford Automobile Co.,Ltd.	2,765	-
Hanon Systems	2,520	257
JMCG Hequn Costume Co.,Ltd.	1,952	1,410
Jiangxi JMCG Industry Co.,Ltd.	1,922	156
Ford Motor (China) Co., Ltd.	1,755	1,199
JMCG	76	1,041
Others	4,155	5,756
	<u>432,333</u>	<u>535,049</u>

Advance from related parties	31 December 2017	31 December 2016
Jiangxi JMCG Specialty Vehicles Co., Ltd.	294	4,294
Others	1,501	342
	<u>1,795</u>	<u>4,636</u>

(j) Related parties commitments

Capital commitments	31 December 2017	31 December 2016
JMCG Jiangxi Engineering Construction Co., Ltd.	<u>35,178</u>	<u>40,334</u>

Chapter XII Catalog on Documents for Reference

1. Originals of 2016 financial statements signed by legal representative and Chief Financial Officer.
2. Originals of the Independent Auditor's Reports signed by Independent accountants and stamped by the accounting firm.
3. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in 2016.
4. The Annual Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
March 22, 2017