Jiangling Motors Corporation, Ltd.

2016 Annual Report

2017-006

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, Ding Ni, confirm that the Financial Statements in this Annual Report are truthful and complete.

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

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

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

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

The year 2016 profit distribution proposal approved by the Board of Directors is as follows:

A cash dividend of RMB 6.1 (including tax) will be distributed for every 10 shares held based on the total share capital of 863,214,000 shares, and there is no stock dividend. The Board decided not to convert capital reserve to share capital this time.

Contents

Abbreviations:

JMC, or the Company	Jiangling Motors Corporation, Ltd.
JMH	Jiangling Motor 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 CPAs LLP (‘PwC Zhong Tian’)
Headquarters address	11th Floor, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai City, P.R.C.
Names of Signed Accountants	Ye Jun, Xiong Huanwei

6. Main accounting data and financial ratios

Unit: RMB ‘000

	2016	2015	Change (%)	2014
Revenue	26,633,949	24,527,893	8.59	25,537,290
Profit Attributable to the Equity Holders of the Company	1,318,016	2,222,061	-40.68	2,107,852
Net Cash Generated From Operating Activities	4,593,000	1,924,474	138.66	4,189,649
Basic Earnings Per Share (RMB)	1.53	2.57	-40.68	2.44
Diluted Earnings Per Share (RMB)	1.53	2.57	-40.68	2.44
Weighted Average Return on Equity Ratio	10.74%	19.56%	Down 8.82 percentage point	21.20%
	End of Year 2016	End of Year 2015	Change (%)	End of Year 2014
Total Assets	24,493,789	21,050,726	16.36	19,496,528
Shareholders’ Equity Attributable to the Equity Holders of the Company	12,409,236	11,981,142	3.57	10,598,429

7. Accounting data difference between China GAAP and IFRS

Impact of IFRS adjustments on the net profit and shareholders’ equity

☐Applicable ☐ √ Not Applicable

8. Main accounting data quarterly

Unit: RMB'000

	Q1	Q2	Q3	Q4
Revenue	5,341,490	5,469,246	6,418,622	9,404,591
Profit Attributable to the Equity Holders of the Company	413,564	290,953	389,036	224,463
Net Cash Generated From Operating Activities	-142,756	1,130,310	1,086,184	2,519,262

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, pickup, Yusheng SUV, Ford-brand SUV, Ford-brand commercial vehicles, and heavy duty trucks. 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. As a mainstream of domestic light commercial vehicle industry, JMC had been ranked among the top hundred Chinese listed corporations with comprehensive strength for consecutive years; and certificated as a national enterprise technology center, high-tech enterprise and national automobile export base which improve the company's core business competence.

With the support from Ford's advanced technology and management experience, JMC's influence over auto industry is improving steadily, making considerable progress both in new product development and technical equipment. Series of Ford new products such as Ford brand SUV EVEREST, Ford brand MPV Tourneo and Ford new Transit launched further improved JMC's competence on R&D and manufacturing. JMC self- developed new Yusheng SUV S330 launched in the second half of 2016, further enhanced JMC's capability of R&D, manufacturing and market competitiveness in SUV field. In 2016, JMC KaiRui N800 program won the First Prize of China Automotive Industry Awards for Science and Technology, fully showed JMC's leading technology in light commercial vehicle field. High standard Xiaolan manufacturing site continues to expand modern plants of vehicle, engine and frame. It will further ensure JMC's product production and quality improvement. Xiaolan national R&D centre's research and development capability will also be further improved.

Chapter IV Management Discussion and Analysis

1. Summary

In 2016, benefited from sustained rapid growth of SUV market, China's automotive market continues to keep growth. Total sales volume was 28.03 million units, increased 13.65% compared with last year. Commercial vehicle sales volume was 3.65 million units, increased 5.80% compared with 2015.

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 2016, JMC achieved sales volume of 281,019 units, increased 6.95% compared with last year, achieved revenue of RMB 26.63 billion, increased 8.59% compared with last year, achieved net profit of RMB 1.32 billion, decreased 40.68% compared with last year. It mainly reflected the product pricing reduction and market expense increase because of severe automotive market competition.

2. Core Business Analysis

I. Summary

In 2016, JMC sales volume achieved 281,019 units, increased 6.95% compared with last year, including 102,379 units truck, 60,892 units pickup, 44,753 units SUV and 72,995 units Transit CV.

2016 total production volume was 281,463 units, increased 8.20% compared with last year, including 101,651 units truck, 61,186 units pickup, 46,590 units SUV and 72,036 units Transit CV.

JMC total sales revenue in 2016 was RMB 26.63 billion, increased 8.59% compared with last year.

II. Revenue and Cost

(a) Composition of Sales Revenue

Unit: RMB

	2016 FY		2015 FY		YOY change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Revenue	26,633,948,551	100%	24,527,892,839	100%	8.59%
By Industry					
Automobile Industry	26,633,948,551	100.00%	24,527,892,839	100.00%	8.59%
By Products					
Vehicle	23,876,058,142	89.64%	22,115,996,697	90.17%	7.96%
Components	2,369,645,586	8.90%	2,176,421,920	8.87%	8.88%
Material & Others	388,244,823	1.46%	235,474,222	0.96%	64.88%
By region					
China	26,633,948,551	100.00%	24,527,892,839	100.00%	8.59%

(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	26,633,948,551	20,612,722,940	22.61%	8.59%	13.69%	-3.47%
By Products						
Vehicle	23,876,058,142	18,626,319,979	21.99%	7.96%	14.16%	-4.23%
By Region						
China	26,633,948,551	20,612,722,940	22.61%	8.59%	13.69%	-3.47%

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	2016	2015	Change (%)
Automobile	Sales volume	unit	281,019	262,756	6.95%

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	2016 FY		2015 FY		YOY change （%）
	Cost	Proportion (%)	Cost	Proportion (%)	
Vehicle	18,626,319,979	90.36%	16,316,619,585	89.99%	14.16%
Components	1,718,540,492	8.34%	1,587,708,668	8.76%	8.24%
Material & Others	267,862,469	1.30%	226,806,699	1.25%	18.10%

(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）	3,307,592,709
Accounted for the proportion of JMC's total annual turnover	12.42%
Included related party transaction accounted for the proportion of JMC's total annual turnover	4.45%

No.	Name of the Customer	Sales Value (RMB)	Percentage of JMC's Total Turnover (%)
1	JMCG Import & Export Co., Ltd.	1,184,309,674	4.45%
2	Zhejiang Jiangling Motors Sales Company	959,394,766	3.60%
3	Shanghai Keda Zhoupu Auto Sales Company	405,751,604	1.52%
4	Henan Jiangling Motors Sales Company	401,849,815	1.51%
5	Hunan Transit Jiangling Motors Sales Company	356,286,850	1.34%
Total		3,307,592,709	12.42%

Other introduction to main customers

☐ √ Applicable ☐Not Applicable

JMIE is a related party of the Company. Both Chief Supervisor Zhu Yi and VP Li Qing of JMC hold the position of director of JMIE.

Top 5 Suppliers:

Total purchase value from top 5 suppliers（RMB）	3,588,838,197
Accounted for the proportion of JMC's total annual purchase amount	18.97%
Included related party transaction accounted for the proportion of JMC's total annual purchase amount	15.08%

No.	Name of the Supplier	Purchase Value (RMB)	Percentage of JMC's Total Annual Purchase Amount (%)
1	Jiangxi Jiangling Chassis Company	805,642,254	4.26%
2	Bosch Auto Diesel System Company	736,195,285	3.89%
3	Jiangxi Jiangling Special Purpose Vehicle Company	700,308,641	3.70%
4	Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	690,097,399	3.65%
5	GETRAG (Jiangxi) Transmission Company	656,594,618	3.47%
Total		3,588,838,197	18.97%

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

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

IV. Research & Development

In 2016, 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. Development expenditure in 2016 was 1,937 million, representing 15.61% of net assets, or 7.27% of revenue.

R&D

	2016	2015	Change (%)
R&D Staff (person)	2,225	2,110	5.45%
R&D Staff as % of total employees	13.19%	13.44%	-0.25%
R&D Investment (RMB)	1,937,312,797	1,830,992,839	5.81%
R&D Investment as % of revenue	7.27%	7.46%	-0.19%
Capitalization of R&D investment	124,586,552	0.00	-
Capitalization of R&D investment as % of R&D Investment	6.43%	0.00%	6.43%

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 major change of capitalization of R&D investment.

V. Cash Flow Analysis

RMB'000

Item	2016	2015	Y-O-Y Change
Net cash generated from operating activities	4,593,000	1,924,474	138.66%
Net cash used in investing activities	-875,148	-1,197,152	26.90%
Net cash used in financing activities	-899,670	-842,750	-6.75%
Net (decrease)/increase cash and cash equivalents	2,818,182	-115,428	2,541.50%

Explanation on the major factors regarding major change of related data
☐ √ Applicable ☐Not Applicable
Net cash generated from operating activities increased by RMB 2,669 million, up 138.66% vs. 2015, mainly reflecting the increase of cash generated from selling goods due to higher sales volume.

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

4. Analysis of Assets and Liabilities

I. Major changes

Unit: RMB'000

Asset item	December 31, 2016		December 31, 2015		YOY Proportion change	Major Changes Explanation
	Amount	Proportion	Amount	Proportion	(Points)	
Property, plant and equipment	6,688,530	27.31%	6,323,546	30.04%	-2.73	
Inventories	1,934,092	7.90%	1,730,930	8.22%	-0.32	
Trade, other receivables and prepayments	2,625,808	10.72%	2,793,770	13.27%	-2.55	
Cash and cash equivalents	11,666,222	47.63%	8,848,040	42.03%	5.60	Due to the increase of cash generated from operating activities
Trade and other payables	11,605,178	47.38%	8,708,829	41.37%	6.01	Due to the increase of material purchasing according to the increase of Q4 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 2016 (RMB Mils)	Investment Committed (RMB Mils)	Progress	Index
J08 Program	Self-funded	Y	50	856	Launched	Announcement of this project (No:2013-035) was published in the website Http://www.cninfo.com.cn
J09 Program	Self-funded	Y	303	1,908	Launched	Announcement of this project (No:2014-013) was published in the website Http://www.cninfo.com.cn

Capacity Investment in Xiaolan Site	Self-funded	Y	54	1,919	90%	Announcement of this project (No:2010-017) was published in the website Http://www.cninfo.com.cn
N330 Program	Self-funded	Y	332	991	Launched	Announcement of this project (No:2015-005) was published in the website Http://www.cninfo.com.cn

IV. Financial Assets Investment

(a) Stock Investment

☐Applicable ☐ √ Not Applicable

(b) Derivative Investment

☐Applicable ☐ √ Not Applicable

V. Usage of Raised Fund

☐Applicable ☐ √ Not Applicable

6. Sales of Major Assets and Equity

I. Sale of Major Assets

☐Applicable ☐ √ Not Applicable

II. Sales of Major Equity

☐Applicable ☐ √ Not Applicable

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

Unit: RMB

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	2,667,369,265	231,233,192	23,177,566,943	14,407,672	10,551,204
JMC Heavy Duty Vehicle Co., Ltd	Subsidiary	Product heavy commercial vehicle , engine, component, and related service	281,793,174	1,301,652,005.	-107,534,370	104,774,811	-173,413,993	-54,663,175

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 accelerated industrial and urbanization development. With the One Belt One Road strategy and urbanization progress, China’s infrastructure construction and logistics industry will also continue the development as well as opportunity for the development of China’s commercial vehicle market. 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, urban traffic congestion, environment pollution and purchase tax incentive reduction affect automobile industry development. However, as the economic progressing steadily, the consumption level and purchasing power improved, domestic automobile sales volume is expected to achieve higher level. In 2017, sales volume is expected to continue to grow slightly.

II. Corporation Strategy

Company’s mission is to produce and sell world class products with the best customer satisfaction in auto industry. JMC will continue to introduce new light truck, pickup, light bus and SUV programs in the future to further strengthen the market share performance. At the same time, JMC will further continue to improve SUV sales performance and penetrate into heavy truck segment.

III. 2017 Business Plan

The Company is targeting 2017 sales volume level at 365 thousand units and revenue level at RMB 35.2 billion, increases of 30% and 32% vs. 2016 respectively. To enhance profitability, the company is committed to the following plans in 2017:

(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 Tourneo AT, JMC own brand light bus, JMC heavy truck;
(3) Continue to improve product quality, pursue cost reduction opportunities, improve manufacturing and operating efficiency to achieve profit and cost targets;
(4) Continue to promote the new fuel economy and emission compliance program to satisfy regulatory requirements;.
(5) Work with technical partners to execute future product development and R&D ability improvement; and
(6) 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) Optimize and execute company's growth strategies to pursue sustainable long-term 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. Meanwhile, the Company will strive to ensure the timely delivery of high quality heavy truck, and devote to strengthening dealer network, expanding overseas market and parts business.

10. External research and media interview to the Company

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

Date	Communication Method	Type of Object	Information Discussed and Materials offered
January 14, 2016	On-the-spot research	Institution	JMC Operating highlights
January 26, 2016	On-the-spot research	Institution	JMC Operating highlights
March 3, 2016	On-the-spot research	Institution	JMC Operating highlights
March 10, 2016	On-the-spot research	Institution	JMC Operating highlights
June 15, 2016	On-the-spot research	Institution	JMC Operating highlights
August 12, 2016	On-the-spot research	Institution	JMC Operating highlights
September 8, 2016	On-the-spot research	Institution	JMC Operating highlights
November 11, 2016	On-the-spot research	Institution	JMC Operating highlights
Reception times			8
Visiting institution number			29
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

The Company's standards and proportion on profit distribution is clear and on the process, Independent Directors fulfilled their duties. The reasonable appeals from the middle and small shareholders were thought over and their legal rights and interests were protected when the plan was drafted and executed.

JMC had distributed cash dividends to all the shareholders in the consecutive fourteen years since 2003. Accumulated cash dividends for the fourteen years totalled RMB 6,421 million. During the reporting period, the Proposal on Profit Distribution for Year 2015 was reviewed and approved by the Board of Directors, and was approved by 2015 Annual Shareholders' Meeting. On July 2016, the Company completed the profit distribution for Year 2015. Both the formulation of JMC Profit Distribution Plan and implementation complies with the relevant requirements of the Articles of Association and other profit distribution policy, and the procedures are valid and legal, which protect the interests of all shareholders.

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

Profit Distribution Plan or Proposal from 2014 to 2016
(1) Proposal on 2016 Year Profit Distribution Plan
Details on the profit available for appropriation of the Company in 2016 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, 2015	9,851,590	9,848,381
2016 net profit	1,318,016	1,318,016
Allocation of dividend for 2015	-889,110	-889,110
Retained earnings at Dec. 31, 2016	10,280,496	10,277,287

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, 2016 were RMB 10,277,287 thousand.

The Board approved to submit to the 2016 Annual Shareholders' Meeting the following proposal on year 2016 profit distribution:

(1). to appropriate for the dividend distribution from the profit available for distribution, which shall be equal to RMB 0.61 per share and shall apply to the Company's total share capital; and

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

Profit distribution proposal: a cash dividend of RMB 6.1 (including tax) will be 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 shall be RMB 526,560,540.

B share dividend shall be 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.

(2) 2015 Year Profit Distribution Plan

Profit distribution proposal: 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.

(3) 2014 Year Profit Distribution Plan

Profit distribution proposal: a cash dividend of RMB 9.7 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2014, the total cash dividend distribution amounts were RMB 837,317,580.

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

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

Table of cash dividend in the recent three years

Unit: RMB'000

	Cash dividend (Including tax)	Profit attributable to the equity holders of the Company in that year	Cash dividend as % of profit attributable to the equity holders of the Company
2016*	526,561	1,318,016	39.95%
2015	889,110	2,222,061	40.01%
2014	837,318	2,107,852	39.72%

*The proposal on 2016 year profit distribution is subject to approval of the Shareholders' Meeting of the Company.

2. Proposal on 2016 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

Item	Promisor	Content of Commitments	Time	Term of Commitments	Implementation of commitments
Share reform		None	None	None	N/A
Acquisition report or Statement of changes in equity		None	None	None	N/A
Asset restructuring		None	None	None	N/A
Initial Public Offering or re-funding		None	None	None	N/A
Other commitments	JMH	*	July 11, 2015	within 6 months since July 9, 2015	JMH exercised its commitments sincerely and did not breach the promise as of January 9, 2016.
Implementation in time or not	Yes				

* i. JMH will not reduce JMC shares by secondary market within six months since July 9, 2015; ii. JMH will exercise its duties as a major shareholder, concentrate on the quality of the listed company, push to establish a sound invest-return long-term mechanism and continue to improve the return level.

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 CPAs LLP
Compensation (RMB'000)	1,900
Consecutive years offering audit services	15
Names of signed accountants	Ye Jun, Xiong Huanwei

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 2016, 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 in 2016.

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 in 2016.

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
Jiangxi Jiangling Chassis Company	Parts and components purchase	Subsidiary of JMCG	Contracted price	60 days after delivery and invoicing	805,640	4.26
Jiangxi Jiangling Special-Purpose Vehicle Co, Ltd.	Parts and components purchase	Wholly-owned subsidiary of JMCG	Contracted price	30 days after delivery and invoicing	700,310	3.70
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Raw materials purchase	Associate of JMCG	Contracted price	Prepayment	690,100	3.65
GETRAG (Jiangxi) Transmission Company	Parts and components purchase	Associate of JMCG	Contracted price	60 days after delivery and invoicing	656,600	3.47
Jiangling-Lear Interior Trim Factory	Parts and components purchase	Joint venture of JMCG	Contracted price	60 days after delivery and invoicing	569,820	3.01
Ford	Parts and components purchase	Controlling shareholder of JMC	Contracted price	D/P & T/T	523,860	2.77
JMCG Import and Export Co., Ltd.	Sales	Associate of JMCG	Contracted price	40% of prepayment and the remains paid during 30 days after delivery	1,184,310	4.45

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 2016.

iii. Related party transaction concerning outside co-investment

☐Applicable ☐ √ Not Applicable
There was no outside co-investment in 2016.

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 2016 was RMB 874,990 thousand. The Board of Directors reviewed and approved JMCG Finance Company Continious Risk Assessment Report. Please refer to the website www.cninfo.com.cn for the original of the report which was published on March 25, 2017.

17. Major Contracts and Execution
i. Entrustment, contract or lease
a. Entrustment
☐Applicable ☐ √ Not Applicable
There was no entrustment in 2016.

b. Contract
☐Applicable ☐ √ Not Applicable
There was no contract in 2016.

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 2016.

iii. Entrustment on cash asset management
a. Trust investment
☐Applicable ☐ √ Not Applicable
There was no trust investment in 2016.

b. Entrusted loan
☐Applicable ☐ √ Not Applicable
There was no entrusted loan in 2016.

iv. Other major contract
☐Applicable ☐ √ Not Applicable

18. Corporation Social Responsibilities
i. Targeted measures in poverty alleviation
☐ √ Applicable ☐Not Applicable
a. Summary of targeted measures in poverty alleviation in 2016
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.

In 2016, the Company made 29 families or 86 persons in Qianmo Village who were recorded into poverty alleviation files get rid of poverty; and made 11 persons get rid of poverty in Xianting Village.

b. Status of Year 2016 targeted measures in poverty alleviation for the listed company

Item	Unit	Amount/Progress
I. Brief Introduction	——	——
including：1. Funding	RMB (‘000)	100
2. Sum converted from the materials	RMB (‘000)	47.7
3. Persons get rid of poverty	Persons	97
II. Investments	——	——
1. Anti-poverty depending on industry development	——	——
including：1.1 Type	——	
1.2 Projects	Number	
1.3 Investment amount	RMB (‘000)	
1.4 Persons get rid of poverty	Persons	
2. Anti-poverty depending on employment transfer	——	——
including：2.1 Investments on vocational skills	RMB (‘000)	
2.2 Training persons regarding vocational skills	Persons	
2.3 Employment Persons	Persons	
3. Anti-poverty depending on relocation	——	——
including：3.1 Employment persons among relocated persons	Persons	
4. Anti-poverty depending on education	——	——
including：4.1 Grants in aid to poor students	RMB (‘000)	11.1
4.2 Poor students in aid	Persons	43
4.3 Investments on the improvement of educational source in poverty-stricken area	RMB (‘000)	80
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,	RMB (‘000)	

women and elderly		
7.2 Number of stay-at-home children, women and elderly in aid	Persons	
7.3 Investments on poor & disable people	RMB (‘000)	
7.4 Number of poor & disable people in aid	Persons	
8. Social anti-poverty	——	——
including：8.1 Investments on cooperation between West China and East China	RMB (‘000)	
8.2 Investments on one-to-one anti-poverty	RMB (‘000)	100
8.3 Investments from anti-poverty charity fund	RMB (‘000)	
9. Other	——	——
including：9.1.Project	Number	
9.2.Investment amount	RMB (‘000)	
9.3. Persons getting rid of poverty	Persons	
III. Awards	——	——

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

In 2017, depending on JMCG, the Company will make 23 families or 48 persons in Qianmo Village get rid of poverty and make the Village remove poverty village hat. And, the Company will make the other 2 persons in Xianting Village get rid of poverty.

ii. Other information regarding corporation social responsibilities

√Applicable ☐Not Applicable

JMC 2016 Corporation Social Responsibilities Report can be downloaded from JMC official website: www.jmc.com.cn or the website: www.cninfo.com.cn.

19. Other Major Events

JMC received government incentives of approximate RMB 510 million appropriated by Nanchang City, Nanchang County Xiaolan Economy Development Zone, Nanchang City Qingyupu District, and Taiyuan Economic & Technological Development Zone in 2016, 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%	-	-	-	-	-	1,725,900	0.20%
3. Other domestic shares	1,725,900	0.20%	-	-	-	-	-	1,725,900	0.20%
Including:									
Domestic legal person shares	1,713,000	0.20%	-	-	-	-877,860	-877,860	835,140	0.10%
Domestic natural person shares	12,900	-	-	-	-	877,860	877,860	890,760	0.10%
II. Unlimited tradable shares	861,488,100	99.80%	-	-	-	-	-	861,488,100	99.80%
1. A shares	517,488,100	59.95%	-	-	-	-	-	517,488,100	59.95%
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, 2016. JMC's total shares remained the same in 2016, and the change in shareholding structure was caused by

a. limited A shares of 757,860 shares, formerly held by Shenzhen Airport Terminal Building Co., Ltd., were transferred to 197 nature person shareholders;
b. limited A shares of 120,000 shares, formerly held by Luoyang Machinery & Electric Company, were transferred to one nature person shareholder by the way of judicial decision.

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 2016

☐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 December 31, 2016)	JMC had 19,407 shareholders, including 14,409 A-share holders, and 4,998 B-share holders, as of December 31, 2016.
Total shareholders (as of February 28, 2017)	JMC had 20,535 shareholders, including 15,445 A-share holders, and 5,090 B-share holders, as of February 28, 2017.

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	2.64	22,745,784	0	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0	0
Central Huijin Investment Ltd.	State-owned legal person	0.83	7,186,600	0	0	0
British Columbia Invest Company	Foreign legal person	0.75	6,438,041	1,137,969	0	0
BILL & MELINDA GATES FOUNDATION TRUST	Foreign legal person	0.73	6,338,080	92,500	0	0
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign legal person	0.68	5,872,450	0	0	0
GAOLING FUND,L.P.	Foreign legal person	0.63	5,439,086	0	0	0
Norges Bank	Foreign legal person	0.59	5,082,713	1,337,195	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
British Columbia Invest Company	6,438,041	A share

BILL & MELINDA GATES FOUNDATION TRUST	6,338,080	A share
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	5,872,450	B share
GAOLING FUND,L.P.	5,439,086	B share
Norges Bank	5,082,713	A share
Notes on association among above-mentioned shareholders	None.	

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

☐Applicable ☐ √ Not Applicable

II. Controlling Shareholders

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

Type: Legal person

Name	Legal representative	Established Date	Organization code	Main scope of business
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		Design, manufacturing, assembly and sales of cars, trucks, parts and components, financing, leasing of vehicles and equipment, and insurance business.

Change of controlling shareholders

☐Applicable ☐ √ Not Applicable

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

III. Actual Controlling Parties

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

Type: Legal person

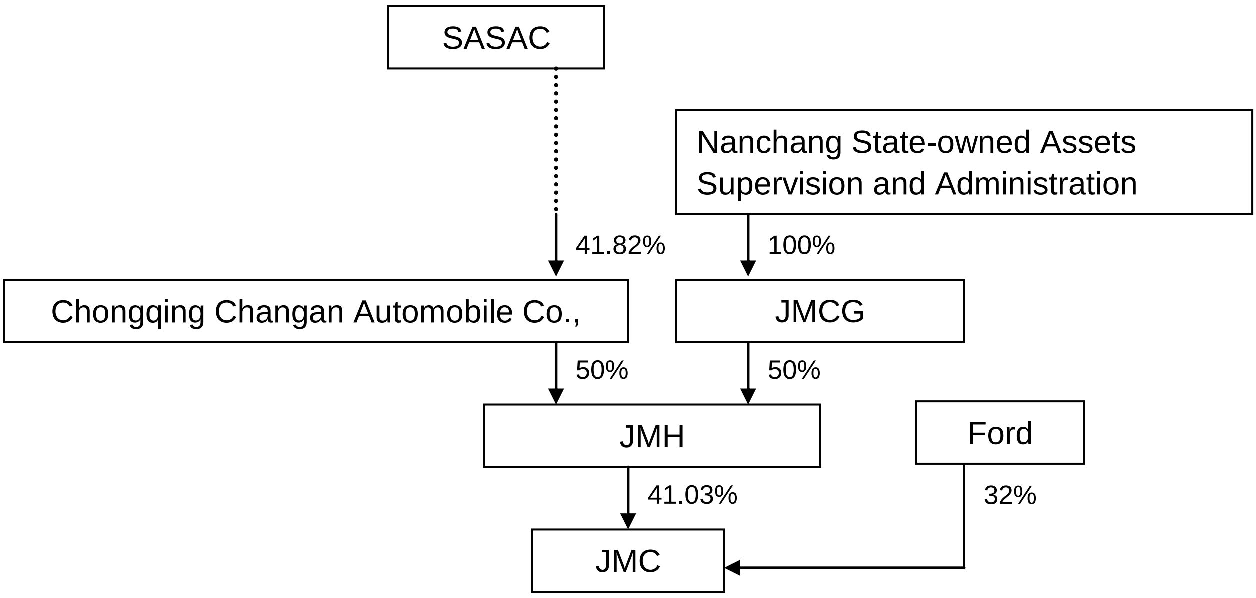
Name	Legal representative	Established Date	Organization code	Main scope of business
JMCG	Qiu Tiangao	July 27, 1991	91360000158263759R	manufacturing of automobiles, engines, chassis, specialty vehicle, transmission, other products, automotive quality testing, sales of self-produced products and raw materials, equipment, electronic products, parts and others, as well as related after-sales services and maintenance services; development of products derived from JMC brand light vehicle; oversea auto project-contracting, export equipment, material and related labor services.
Chongqing Changan Automobile Co., Ltd.	Xu Liuping	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
JMH commits not to reduce JMC shares by secondary market within six months since July 9, 2015.

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

Position	Name	Gender	Age	Term of Office	Shares	Shares	Share	Cause

					as of Dec. 31, 2015	as of Dec. 31, 2016	Change in Year 2016	of Share Change
Directors:								
Chairman	Qiu Tiangao	Male	51	2014.6.27-2017.6.27	0	0	0	
Vice Chairman	David Schoch	Male	66	2016.8.12-2017.6.27	0	0	0	
Director	Mark Kosman	Male	52	2016.4.28-2017.6.27	0	0	0	
Director & President	Thomas Fann	Male	55	2016.4.28-2017.6.27	0	0	0	
Director & EVP	Xiong Chunying	Female	53	2016.4.28-2017.6.27	1,200	1,200	0	
Director	Yuan Mingxue	Male	50	2015.12.9-2017.6.27	0	0	0	
Independent Director	Lu Song	Male	60	2014.6.27-2017.6.27	0	0	0	
Independent Director	Wang Kun	Female	41	2014.6.27-2017.6.27	0	0	0	
Independent Director	Li Xianjun	Male	49	2015.12.9-2017.6.27	0	0	0	
Ex-Chairman	Wang Xigao	Male	67	2014.6.27-2016.4.28	0	0	0	
Ex-Vice Chairman	John Lawler	Male	51	2014.6.27-2016.8.12	0	0	0	
Ex-Director	Manto Wong	Male	55	2014.6.27-2016.4.28	0	0	0	
Ex- Director & President	Yuan-Ching Chen	Male	65	2014.6.27-2016.4.28	0	0	0	
Supervisors:								
Chief supervisor	Zhu Yi	Male	47	2014.6.27-2017.6.27	0	0	0	
Supervisor	Alvin Qing Liu	Male	60	2014.6.27-2017.6.27	0	0	0	
Supervisor	Zhang Jian	Male	48	2014.6.27-2017.6.27	40	40	0	
Supervisor	Liu Niansheng	Male	50	2014.6.27-2017.6.27	0	0	0	
Supervisor	Xu Lanfeng	Female	48	2014.6.27-2017.6.27	0	0	0	
Senior Management:								
EVP	Jin Wenhui	Male	50	2015.1.1-2017.6.27	0	0	0	
CFO	Gong Yuanyuan	Female	44	2016.4.7-2017.6.27	0	0	0	
VP & Board Secretary	Wan Hong	Male	56	2014.6.27-2017.6.27	0	0	0	
VP	Li Qing	Male	52	2014.6.27-2017.6.27	0	0	0	
VP	Tim Slatter	Male	43	2015.4.1-2017.6.27	0	0	0	
VP	Zhu Shuixing	Male	52	2014.6.27-2017.6.27	100	100	0	
VP	Liu Shuying	Female	54	2014.6.27-2017.6.27	0	0	0	

VP	Arturo Mendoza	Male	62	2015.7.1-2017.6.27	0	0	0	
VP	Li Xiaojun	Male	41	2015.7.1-2017.6.27	0	0	0	
VP	Christian Chen	Male	44	2015.9.1-2017.6.27	0	0	0	
Ex-CFO	Dennis Leu	Male	53	2014.6.27-2016.4.7	0	0	0	
Ex-VP	Liao Zanping	Male	54	2014.6.27-2017.2.1	0	0	0	
VP	Wu Xiaojun	Male	43	2017.2.1-2017.6.27	0	0	0	

2. Changes of Directors, Supervisors and Senior Management

Name	Position	Status	Date	Reason
Wang Xigao	Chairman	Leave	April 28, 2016	Retirement
John Lawler	Vice Chairman	Leave	August 12, 2016	Work rotation
Manto Wong	Director	Leave	April 28, 2016	Work rotation
Yuan-Ching Chen	Director	Leave	April 28, 2016	Work rotation
Yuan-Ching Chen	President	Dismissal	April 7, 2016	Work rotation
Dennis Leu	CFO	Dismissal	April 7, 2016	Work rotation
Liao Zanping	VP	Dismissal	February 1, 2017	Work rotation

3. Particulars about working experience of directors, supervisors and senior management in the past five years

Directors:

Mr. Qiu Tiangao, born in 1966, holds a Bachelor’s Degree in Mechanical Manufacturing and a Master’s Degree in Industrial Engineering from Huazhong University of Science and Technology. In the past five years, Mr. Qiu Tiangao held various positions including Chairman of JMCG Jingma Motors Co., Ltd., Chairman of Jiangxi Isuzu Motors Co., Ltd., Vice Chairman of JMH, Director, General Manager,Chairman of JMCG, Mr. Qiu Tiangao was appointed as Chairman of JMC in April 2016.

Mr. David Schoch, born in 1951, holds a Bachelor’s Degree in Business Administration from Lycoming College, U.S.A. and his MBA in Finance from Temple University. In the past five years, Mr. David Schoch held various positions including Ford Motor Company Group Vice President and President, Asia Pacific, Chairman and CEO of Ford China. Mr. David Schoch was appointed as Vice Chairman of JMC in August 2016.

Mr. Mark Kosman, born in 1965, holds a Bachelor Degree in Accounting from Bowling Green State University, U.S.A. and a MBA from Wayne State University, U.S.A. In the past five years, Mr. Mark Kosman held various positions including Global Product Development Controller of Ford, Ford Asia Pacific & Africa CFO. Mr. Mark Kosman was appointed as Director of JMC in April 2016.

Mr. Thomas Fann, born in 1962, holds a Bachelor Degree in Mechanical Engineering from National Cheng Kung University, China Taiwai, 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. In the past five years, Mr. Thomas Fann held various positions including Finance Director, President of Ford Lio Ho, President of JMC. Mr. Thomas Fann was appointed as Director of JMC in April 2016.

Ms. Xiong Chunying, born in 1964, senior engineer, holds a Bachelor’s Degree in Automobile Engineering from Jiangsu Engineering College, a Master’s Degree in Industrial Economics from Jiangxi University of Finance and Economics and an EMBA Degree in China Europe International Business School. In the past five years, Ms. Xiong Chunying has held the positions of Executive Vice President of JMC, Director of JMCG. Ms. Xiong Chunying was appointed as Director of JMC in April 2016.

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. In the past five years, Mr. Yuan Mingxue held various positions including Assistant to Assistant to the President, Chief of Strategy Planning Department and Director of Capital Management Division of Chongqing Changan Automobile Company Limited (“Changan Automobile”), Assistant to the President and General Manager of Overseas Business Development Department of Changan Automobile, Vice President of Changan Automobile, and Director of JMH. Mr. Yuan Mingxue was appointed as Director of JMC in October 2015.

Mr. Lu Song, born in 1957, professor and lawyer, 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. In the past five years, Mr. Lu Song held various positions including teaching and administrative staff of CFAU, Vice President of the Chinese Society of Private International Law, Executive Member of the Council of the Chinese Society of International Law, Executive Member of the Council the Chinese Arbitration Law, and the arbitrator of international arbitral institutions. Mr. Lu Song was appointed as Independent Director of JMC in June 2014.

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. In the past five years, Ms. Wang Kun held various positions including lecturer in Tsinghua University School of Economics and Management, Assistant to Dean of Tsinghua University School of Economics and Management and Deputy Director of Tsinghua University Corporate

Governance Centre. Ms. Wang Kun was appointed as Independent Director of JMC in June 2014.

Mr. Li Xianjun, born in 1967, holds a Bachelor's Degree in Industrial Management from Jilin University of Technology and an MBA, a Doctor's Degree in Political Economy from Jilin University. In the past five years, Mr. Li Xianjun held various positions including Head and Academic Director of School of Automotive Engineering of Tsinghua University, Independent Director of Tianjin FAW Xiali Automobile Co., Ltd. Ms. Li Xianjun was appointed as Independent Director of JMC in December 2015.

Supervisors:
Mr. Zhu Yi, born in 1970, is a senior accountant, and holds a Bachelor's Degree in Business Administration from Jiangxi Institute of Economic Administrators and a MBA from New York Institute of Technology. In the past five years, Mr. Zhu Yi used to be Vice General Manager, Director of JMCG, and Director of JMH. Mr. Zhu Yi has been a Chief Supervisor of JMC since June 2011.

Mr. Alvin Qing Liu, born in 1957, has a Jurisprudence Doctor Degree and a Master Degree in International Economics from Marquette University, U.S.A. and is a member of American Bar Association and was admitted to practice in the U.S. Federal Court for the Eastern District of Wisconsin. In the past five years, Mr. Alvin Qing Liu has held the positions including Vice Chairman of Changan Ford Mazda Engine Co., Ltd., Director of Changan Ford Automobile Co., Ltd., Vice President and General Counsel of Ford Asia Pacific, Director & Vice Chairman of Ford Motor (China) Ltd. Mr. Alvin Qing Liu has been a Supervisor of JMC since June 2002.

Mr. Zhang Jian, born in 1969, holds a College Degree in Secretarial Professional from North China University of Technology. In the past five years, Mr. Zhang Jian held various positions including Chief of JMCG Publicity Department and Chairman of JMCG Labor Union. Mr. Zhang Jian held the post of Supervisor of JMC in June 2011.

Mr. Liu Niansheng, born in 1967, is a senior engineer, and holds a Bachelor's Degree in Forging Technology and Equipment from Jiangxi University of Technology and a Master's Degree in National Economic Management from Renmin University of China. In the past five years, Mr. Liu Niansheng held various positions including Plant Manager of JMC Transit Plant and Assistant to the President of JMC. Mr. Liu Niansheng held the post of Supervisor of JMC in December 2011.

Ms. Xu Lanfeng, born in 1969, senior engineer, holds a Bachelor's Degree in Forging Technology and Equipment from Nanchang University and a MBA from University of International Business and Economics. In the past five years, Ms. Xu Lanfeng held various positions including Chief of Manufacturing Department and Assistant to the President of JMC. Ms. Xu Lanfeng has been a Supervisor of JMC in June 2008.

Senior management:

Mr. Jin Wenhui, born in 1967, is a 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. In the past five years, Mr. Jin Wenhui held various positions including Assistant to the President for JMC and Vice General Manager of Jianging-Isuzu Motors Company Limited, Director, General Manager of JMCG Jingma Motors Co., Ltd., Executive Vice General Manager of Jiangxi-Isuzu Motors Co., Ltd., Executive Vice President of JMC.

Ms. Gong Yuanyuan, born in 1973, holds a Bachelor Degree in Finance from Shanghai Jiaotong University and a MBA from City University, United Kingdom. In the past five yeats, Ms. Gong Yuanyuan has held various positions including Controller of MFG and MP&L of Ford China, and PD Controller of Lincoln and Mustang of Ford U.S., CFO of JMC.

Mr. Wan Hong, born in 1961, is an engineer, and holds a Master of Business Administration Degree from Jiangxi University of Finance & Economics. In the past five years, Mr. Wan Hong has held the positions of Vice President and Board Secretary of JMC, Independent Director of Jiangxi Hongdu Aviation Industry Co., Ltd.

Mr. Li Qing, born in 1965, holds a Bachelor's Degree in Marketing from Wuhan University of Technology and a MBA from University of South Australia and Jiangxi University of Finance & Economics. In the past five years, Mr. Li Qing has held the positions of Vice President of JMC, Director of JMCG and Executive Director of Jiangling Motors Sales Co., Ltd.

Mr. Tim Slatter, born in 1974, holds a Bachelor's Degree in Automotive Engineering and Design from Coventry University, U.K. In the past five years, Mr. Tim Slatter held various positions including Global Exhaust Engineering Manager of Ford Europe, Powertrain Programs and Integration Chief Engineer of Ford AP.

Mr. Zhu Shuixing, born in 1965, is a senior engineer and holds a Master's Degree in Pressure Processing from Northwestern Polytechnical University and a MBA from Jinan University. In the past five years, Mr. Zhu Shuixing has held the position of Vice 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. In the past five years, Ms. Liu Shuying has held the position of Vice President of JMC.

Mr. Arturo Mendoza, born in 1955, holds an Engineering Bachelor's Degree in Mechanical Engineering from Instituto Tecnologico de Chihuahua, Mexico. In the past five years, Mr. Arturo Mendoza held various positions including LMEA Manager of Changan Ford Mazda Engine Corporation and Vice President of JMC.

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. In the past five years, Mr. Li Xiaojun held various positions including Plant Manager of Assembly Plant, Assistant to the President for JMC and Vice President of JMC.

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. In the past five years, Mr. Christian Chen held various positions including Purchasing Manager and Senior Purchasing Manager of Ford Motor Company, and Vice President of JMC.

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. In the past five years, Mr. Wu Xiaojun held various positions including Chief of Quality Department, Assistant to the President for JMC, Executive Deputy General Manager, General Manager of JMC Heavy Duty Vehicle Co., Ltd. Mr. Wu Xiaojun was appointed as VP of JMC in February 2017.

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
David Schoch	Ford	Group Vice President and President, Asia Pacific	2012.12—	Y
Yuan Mingxue	JMH	Director	2015.7—	N
Zhu Yi	JMH	Director	2004.11—	N
Alvin Qing Liu	Ford	Asia Pacific Vice President and General Counsel	2009.1—	Y

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

☐ √ Applicable ☐Not Applicable

Name	Entity	Title
Qiu Tiangao	JMC Heavy Duty Vehicle Co., Ltd.	Executive Director
	JMCG	Chairman
	JMCG Jingma Motors Co., Ltd.	Chairman
	Jiangxi-Isuzu Motors Co., Ltd.	Chairman

David Schoch	Ford Motor (China) Ltd.	Chairman and CEO
	Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Chairman and CEO
	Changan Ford Automobile Co., Ltd.	Vice Chairman
Mark Kosman	Ford Motor (China) Ltd.	Director
	Changan Ford Automobile Co., Ltd.	Director
Yuan Mingxue	Chongqing Changan Automobile Co., Ltd.	Vice President
Lu Song	CAFU	Professor
Wang Kun	Tsinghua University	Assistant to Dean of Tsinghua University School of Economics and Management and Deputy Director of Tsinghua University 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
Xiong Chunying	JMCG	Director
Jin Wenhui	JMCG	Director
Gong Yuanyuan	JMC Heavy Duty Vehicle Co., Ltd.	Supervisor
	Jiangling Motors Sales Co., Ltd.	Supervisor
Wan Hong	Jiangxi Hongdu Aviation Industry Co., Ltd.	Independent Director
Li Qing	JMCG	Director
	Jiangling Motors Sales Co., Ltd.	Executive Director
Wu Xiaojun	JMC Heavy Duty Vehicle Co., Ltd.	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. Annual Compensation

Decision-making procedure, basis, and payment regarding the annual compensation of the Directors, the 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 David Schoch, Mark Kosman and Supervisor Alvin Qing Liu were paid by Ford. Director Yuan Mingxue was paid by Chongqing Changan Automobile Co., Ltd.

(1) In accordance with the Senior Executive Compensation & Incentive Plan of JMC approved by the Board of Directors and the Senior Executive Base Salary Plan of JMC agreed by the Compensation Committee, the compensation for the Chinese-side senior management consists of base salary, short-term incentive and long-term incentive, and the long-term incentive would be paid equally in a deferred period of three years. In 2016, the Company paid annual compensation before tax of approximately RMB 1,660 thousand to EVP Xiong Chunying, paid approximately RMB 1,330 thousand EVP Jin Wenhui, paid approximately RMB 1,200 thousand per person to VP & Board Secretary Wan Hong, VP Li Qing, VP Zhu Shuixing VP Liu Shuying, paid VP Liao Zanping approximately RMB 1,300 thousand, and paid VP Li Xiaojun approximately RMB 1,070 thousand. Two employee-representative supervisors, Mr. Liu Niansheng and Ms Xu Lanfeng, were paid annual compensation before tax of about RMB 840 thousand and RMB 460 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 11.49 million in the reporting period, including the long-term incentive of RMB 1.19 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 2016, JMC should pay US$ 281,250 per person to Ford for Director & President Thomas Fann, pay US$ 375 thousand per person to VP Arturo Mendoza and VP Tim Slatter, pay RMB 562.5 thousand to CFO Gong Yuanyuan, pay RMB 750 thousand to VP Christian Chen, pay US$ 93,750 per person to ex- Director & President Yuan-Ching Chen and ex-CFO Dennis Leu. 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 adjusted as RMB 100 thousand per person, and JMC bears their travel-related expenses associated with JMC's business.

Table on Annual Compensation

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
David Schoch	Vice Chairman	Male	66	Y	0	Y
Mark Kosman	Director	Male	52	Y	0	Y
Thomas Fann	Director & President	Male	55	Y	*	N
Xiong Chunying	Director & EVP	Female	53	Y	1,660	N
Yuan Mingxue	Director	Male	50	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	49	Y	100	N
Wang Xigao	Ex-Chairman	Male	67	N	0	Y
John Lawler	Ex-Vice Chairman	Male	51	N	0	Y
Manto Wong	Ex-Director	Male	55	N	0	Y
Yuan-Ching Chen	Ex- Director & President	Male	65	N	*	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
Liu Niansheng	Supervisor	Male	50	Y	840	N
Xu Lanfeng	Supervisor	Female	48	Y	460	N
Jin Wenhui	EVP	Male	50	Y	1,330	N
Gong Yuanyuan	CFO	Female	44	Y	*	N
Wan Hong	VP & Board Secretary	Male	56	Y	1,200	N
Li Qing	VP	Male	52	Y	1,200	N
Tim Slatter	VP	Male	43	Y	*	N
Zhu Shuixing	VP	Male	52	Y	1,200	N
Liu Shuying	VP	Female	54	Y	1,200	N
Arturo Mendoza	VP	Male	62	Y	*	N
Li Xiaojun	VP	Male	41	Y	1,070	N
Christian Chen	VP	Male	44	Y	*	N
Dennis Leu	Ex-CFO	Male	53	N	*	N
Liao Zanping	Ex-VP	Male	54	N	1,300	N

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

Granted equity incentive to the Directors, Supervisors and senior executives in 2016

☐Applicable ☐ √ Not Applicable

5. Employees

i. Employees, Professional Structure and Educational Level

Employees in parent company (persons)	15,473
Employees in subsidiaries (persons)	1,392
Total employees (persons)	16,865
Total employees paid compensation (persons)	17,776
Retired employees bore retirement benefits in parent	847

company and its subsidiaries	
Professional Structure	
Type	Employees (Persons)
Production Worker	11,465
Sales Personnel	679
Technical Personnel	3,592
Finance Personnel	167
Administrative Staff	962
Total	16,865
Educational Level	
Type	Employees (Persons)
Master degree and higher	925
Bachelor degree	3,814
Polytechnic school degree	2,290
Below polytechnic school degree	9,836
Total	16,865

ii. Compensation Policy
Comparing with market compensation system and income level and considering the Company's actual situation, JMC regarded Position, Person, Performance Compensation Concept as guideline and offered competitive compensation, which could ensure the inner fairness and competitive ability against the outside, to attract, reserve and give incentive to the excellent talents,.

iii. Training
In 2016, JMC's training expense was RMB 22,195 thousand, and training person-time were 95,851 with training stratification of 96.70%. Please refer to the Chapter IV of 2016 JMC Corporation Social Responsibility Report for more details on 2016 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

There was no major difference between actual situation of corporate governance in JMC and that of requirements of listed company corporate governance promulgated by CSRC. During the reporting period, the Company continued to improve its corporate governance in compliance with the Company 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. JMC fulfilled its social responsibilities positively and made a report on 2016 Corporate Social Responsibilities.

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 2015

Meeting	Meeting Type	Convening Date	Disclosure Date	Index
2016 First Special Shareholders' Meeting	Special Shareholders' Meeting	April 28, 2016	April 29, 2016	Announcement of this Special Shareholders' Meeting (No: 2016-017) was published in the website Http://www.cninfo.com.cn.
2015 Annual Shareholders' Meeting	Annual Shareholders' Meeting	June 30, 2016	July 1, 2016	Announcement of this Annual Shareholders' Meeting (No: 2016-026) was published in the website Http://www.cninfo.com.cn.
2016 Second Special Shareholders' Meeting	Special Shareholders' Meeting	August 12, 2016	August 13, 2016	Announcement of this Special Shareholders' Meeting (No: 2016-037) 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	16	3	12	1	0	N	1
Wang Kun	16	4	12	0	0	N	1
Li Xianjun	16	3	12	1	0	N	0

II. Dissent from Independent Directors
☐Yes ☐ √ No
The Independent Directors of the Company had no dissent to the relevant proposal of the Company in the reporting period.

III. Other introduction to Independent Directors' Performance of Duty
☐ √ Yes ☐No
JMC has appointed three Independent Directors so far. The Independent Directors exercised their fiduciary duties on routine work and major decision-making of the Board of Directors. They studied every proposal reviewed by the Board of Directors thoroughly and raised their opinions, inquired about major events which required opinions from the Independent Directors and issued their written opinions, and actively engaged in the affairs of the Compensation Committee and the Audit Committee in the reporting period, to protect the interests of the Company and all the shareholders.

6. 2016 Diligence Report of the Committees under the Board of Directors
I. Audit Committee's Works

A. Work Summary Report of the Audit Committee
According to Audit Committee Working Rules, the Audit Committee diligently executed its duties and delivered guiding opinions. The primary tasks 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 Credit Risk Control Proposal and Credit Risk Control Status Report;
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 has submitted the 2016 Independent Auditor Summary Report to Board for review; and
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 on January 16, 2017 as follows:
The Audit Committee reviewed the Financial Statements compiled by JMC and believes that the Financial Statements have in all material respects reflected the actual company status. The Audit Committee will continue to keep in close contact with auditor. After receiving the auditor’s initial audit comments, Audit Committee will review Company Financial Statements a second time.

The Audit Committee reviewed the financial statements prepared by JMC after the external auditor issued its initial audit opinions, and issued its written opinions on February 16, 2017 as follows:

i. Financial statements have been prepared according to China New GAAP and the company’s financial policies; and
ii. The financial status reported for December 31, 2016 including Balance Sheet, Income Statement and Cash Flow is accurate and truthful.

The Audit Committee made resolutions on the audited 2016 financial statements on March 2, 2017 as follows:
The Audit Committee has reviewed the financial statements after the certified auditor issued its final audit opinions. The Audit Committee believes that the financial status reported for December 31, 2016 including Balance Sheet, Income Statement and Cash Flow is accurate and truthful. The Audit Committee supports submitting to the Board approval.

C. 2016 External Auditor Work Summary Report
The Audit Committee has reviewed the 2016 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 2016 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 R & D 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 believes that the external certified auditor has executed the audit work consistently with the requirements of China Certified Auditor Independent Audit Principles. The audit period is adequate and the allocation of personnel resources is sufficient to deliver an audit report which accurately reflects the Company’s financial position as at December 31, 2016, and the financial performance and cash flows for the year then ended. The audit conclusion fairly reflects the Company's actual status.

II. 2016 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 2015 Year-end Bonus for Senior Executives;
ii. reviewed and approved 2014 Diligence Report of the Compensation Committee; and
iii. proposed and reviewed JMC Executive Compensation Scheme, and submit it to the Board of Directors for approval.

The Compensation Committee's opinions on the annual compensation of the directors, supervisors and senior management disclosed in this Report are as follows: The 2016 annual compensation for the Chinese-side senior management was paid upon the principles promulgated in the JMC Executive Compensation Scheme. The 2016 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 2016

☐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

In accordance with the JMC Executive Compensation Scheme approved by the Board of Directors in September 2016, the compensation for senior management consists of base salary and floating bonus. The base salary level is determined according the grade of the senior executives, and the floating bones shall be paid according to the operating performance. 70% of the bonus will be distributed in this year, and the rest 30% will be distributed in the next three years. The annual total income target of the senior executives will be adjusted through using the historical market salary increase. The Compensation Committee approved the 2016 year-end bonus of senior executives on March 2, 2017 based on the performance of the KPIs for the senior executives, and approved to adjust the Year 2017 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 25, 2017
Index	www.cninfo.com.cn
Total value of assets of the entities in scope counts as % of that disclosed in the consolidated financial statements	100.00%

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

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

10. Internal Control Audit Report

☐ √ Applicable ☐Not Applicable

Opinions in the Internal Control Audit Report	
The opinions in the Internal Control Audit Report issued by Pwc Zhong Tian are as follows: As of December 31, 2016, 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 25, 2017
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 23, 2017
Name of Auditor	PricewaterhouseCoopers Zhong Tian CPAs LLP
Document No. of Audit Report	2017/SH-082

Independent Auditor's Report

To the Shareholders of Jiangling Motors Corporation, Ltd.

Opinion

What we have audited

The consolidated financial statements of Jiangling Motors Corporation, Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 107, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- 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 2016, 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
Research and development expenditures Refer to note 14 to the consolidated financial statements. We focussed on this area due to the incurred amount of research and development expenditures (RMB1,937,313,000 in 2016), the amount of the development costs capitalised (RMB124,587,000 in 2016), 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: • The technical feasibility of the project. • The likelihood of the project generating sufficient future economic benefits. We had particular regard to the fact that the Group has continued to invest in the technical improvements for its automobile products, and therefore we focussed on the accuracy and completeness of recorded research and development expenditures and whether the economic benefits of the projects under development supported the amounts capitalised. As part of our work we also focused on management's judgements regarding whether capitalised costs were of a development stage rather than research stage (which would result in the costs being expensed rather than capitalised), and whether costs, including employment (payroll) costs, were directly attributable to relevant projects.	We obtained a breakdown, by value, of all individual research and development projects and reconciled this to the amounts of research and development expenses and capitalised research and development projects, which were recorded in the general ledger, identifying no reconciling differences. We tested the projects where research and development expenses were in excess of RMB20,000,000, together with a sample of randomly selected immaterial projects from the remaining population, as follows: • We obtained the lists of expenses by nature on selected projects and inspected contracts and underlying invoices which were directly related to those projects. We also checked the reasonableness of the indirect expenses attributable to relevant projects, including employment costs and depreciation expenses, by understanding the allocating method and inspecting the supporting for the assembling and allocating process of those indirect expenses. • We also checked the recorded research and development costs of those projects with budgeted amounts and discuss with project manager regarding to the status of selected projects. We found no material issues arising from the above procedures. We obtained the lists of capitalised projects and tested those projects with the capitalised amounts over RMB25,000,000. We obtained explanations from management of why those projects were considered to be capital in nature, in terms of how the specific requirements of the relevant accounting standards, most notably of IAS 38 were met. We also conducted interviews with individual project managers responsible for those projects selected to corroborate these explanations, which enabled us to independently assess whether the projects met all the criteria for capitalisation set out in accounting standards. In addition, we reviewed the selected projects' inspection reports at different phases including the reports which indicated that the subject projects entered into developmental stage and related management and board meeting minutes. We found the information we gathered from those documents to be consistent with explanations obtained from individual project managers and to be in line with management's assessment that the costs met the relevant capitalisation criteria. We considered management's judgments on whether those selected projects should be capitalised were appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of long term assets Refer to note 12 to the consolidated financial statements. We focused on this area because JMC Heavy Duty Vehicle Co., Ltd. ("JMCH"), the subsidiary of the Group has incurred accumulated losses of RMB622,424,000 as at 31 December 2016, which indicates there may be impairment on its long term assets, mainly including property, plant and equipment with the amount of RMB861,591,000 The determination of whether or not an impairment charge for long term assets for JMCH is necessary to involve significant judgements of management about the future results of the business and assessment of future plans of the JMCH's operations. Management considers JMCH to be a cash generating unit ("CGU") and has calculated the 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.	We evaluated management's impairment calculations assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We found that management had followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge by the directors and which was consistent with the Board's approved budgets. We challenged: • the key assumptions for 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. We discussed the action plans in place and evaluated the reasonableness of those plans, by comparing those action plans with JMC's performance in prior years, automobile industry developing trends and existing market player's performance. We considered those action plans were reasonably set in place. We also tested whether the required CGU 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. 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.

Other Information

Management 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 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 Ye Jun.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

23 March 2017

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2016**	**2015**
Revenue	5	26,633,949	24,527,893
Sales tax		(823,494)	(788,236)
Cost of sales	6	(20,612,723)	(18,131,135)
Gross profit		**5,197,732**	**5,608,522**
Distribution expenses	6	(1,961,535)	(1,591,235)
Administrative expenses	6	(2,498,485)	(2,470,489)
Impairment charge of non-current assets		(2,795)	(3,016)
Other income	8	514,415	683,136
Operating profit		**1,249,332**	**2,226,918**
Finance income	9	223,517	270,985
Finance expenses	9	(3,882)	(2,344)
Finance income-net	9	219,635	268,641
Share of profit of investments accounted for using the equity method	15b	12,624	14,045
Profit before income tax		**1,481,591**	**2,509,604**
Income tax expense	10	(163,575)	(287,543)
Profit for the year		**1,318,016**	**2,222,061**
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
- Remeasurements of retirement benefits obligations		(1,083)	(2,707)
- Income tax relating to remeasurements of retirement benefit obligations		271	677
Other comprehensive income for the year, net of tax		**(812)**	**(2,030)**
Total comprehensive income for the year		**1,317,204**	**2,220,031**
Profit attributable to:			
Shareholders of the Company		**1,318,016**	**2,222,061**
Total comprehensive income attributable to:			
Shareholders of the Company		**1,317,204**	**2,220,031**
Earnings per share for profit attributable to the shareholders of the Company for the year (expressed in RMB per share)			
- Basic and diluted	11	1.53	2.57

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(All amounts in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2016	2015
Assets			
Non-current assets			
Property, plant and equipment	12	6,688,530	6,323,546
Lease prepayment	13	632,408	645,608
Intangible assets	14	158,160	41,705
Investments accounted for using the equity method	15b	39,893	40,993
Other non-current assets		97,549	64,487
Deferred income tax assets	16	554,488	473,933
		8,171,028	7,590,272
Current assets			
Financial assets at fair value through profit or loss		8,539	77
Inventories	17	1,934,092	1,730,930
Trade and other receivables and prepayments	18	2,625,808	2,793,770
Cash and cash equivalents	19	11,666,222	8,848,040
Restricted cash		463	-
Assets classified as held for sale	20	87,637	87,637
		16,322,761	13,460,454
Total assets		**24,493,789**	**21,050,726**

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2016
(All amounts in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2016	As at 31 December 2015
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	21	863,214	863,214
Share premium		816,609	816,609
Other reserves	22	452,126	452,938
Retained earnings		10,277,287	9,848,381
Total equity		**12,409,236**	**11,981,142**
Liabilities			
Non-current liabilities			
Borrowings	23	4,543	4,678
Deferred income tax liabilities	16	27,383	28,392
Retirement benefit obligations	24	53,627	52,273
Provisions for warranty and other liabilities	25	130,987	104,557
Other non-current liabilities		320	400
		216,860	190,300
Current liabilities			
Trade and other payables	26	11,605,178	8,708,829
Current income tax liabilities		98,860	50,305
Borrowings	23	454	425
Retirement benefit obligations	24	4,561	4,560
Provisions for warranty and other liabilities	25	153,640	110,165
Other current liabilities		5,000	5,000
		11,867,693	8,879,284
Total liabilities		**12,084,553**	**9,069,584**
Total equity and liabilities		**24,493,789**	**21,050,726**

The notes on pages 55 to 107 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 2016

(All amounts in thousands of RMB unless otherwise stated)

		Attributable to shareholders of the Company				
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015		**863,214**	**816,609**	**454,968**	**8,463,638**	**10,598,429**
Profit for the year		-	-	-	2,222,061	2,222,061
Other comprehensive income						
- Remeasurements of retirement benefit obligations, net of tax		-	-	(2,030)	-	(2,030)
Dividends relating to 2014		-	-	-	(837,318)	(837,318)
Balance at 31 December 2015		**863,214**	**816,609**	**452,938**	**9,848,381**	**11,981,142**
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	27	-	-	-	(889,110)	(889,110)
Balance at 31 December 2016		**863,214**	**816,609**	**452,126**	**10,277,287**	**12,409,236**

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts in thousands of RMB unless otherwise stated)

		Year ended 31 December	
	Note	**2016**	**2015**
Cash flows from operating activities			
Cash generated from operations	28	4,789,706	2,349,083
Interest paid		(393)	(340)
Income tax paid		(196,313)	(424,269)
Net cash generated from operating activities		**4,593,000**	**1,924,474**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(1,144,340)	(1,542,900)
Other cash paid relating to investing activities		(1,138)	(6,561)
Proceeds from disposal of PPE	28	2,765	43,669
Interest received		248,605	291,744
Dividends received		13,724	15,657
Other cash received from investing activities		5,236	1,239
Net cash used in investing activities		**(875,148)**	**(1,197,152)**
Cash flows from financing activities			
Repayments of borrowings		(433)	(411)
Dividends paid to shareholders of the Company		(897,770)	(840,961)
Other cash paid relating to financing activities		(1,467)	(1,378)
Net cash used in financing activities		**(899,670)**	**(842,750)**
Net increase/(decrease) in cash and cash equivalents		**2,818,182**	**(115,428)**
Cash and cash equivalents at beginning of year		8,848,040	8,963,468
Effects of exchange rate changes		-	-
Cash and cash equivalents at end of year	19	**11,666,222**	**8,848,040**

The notes on pages 55 to 107 are an integral part of these consolidated financial statements.

1 General information

Jiangling Motors Corporation, Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) under the Company Law of the PRC and according to the approval of Hongban (1992) No. 005 of Nangchang Revolution and Authorisation Group of Company’s Joint Stock as a joint stock limited company to hold certain operational assets and liabilities of the automotive manufacturing business of Jiangxi Motors Manufacturing Factory, which was owned by Jiangling Motors 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 2016, 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 23 March 2017.

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.

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 2016 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', 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 P&L. 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.

  Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

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' 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 Group is assessing the impact of IFRS 15.

- IFRS 16, 'Leases' 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.

  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 IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 Summary of significant accounting policies (continued)

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.

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 Summary of significant accounting policies (continued)

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.

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.

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) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

The development cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The development costs 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.

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.

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.

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.

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 cost 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.

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.

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 Summary of significant accounting policies (continued)

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.

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.

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(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.

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.

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(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.

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.

2 Summary of significant accounting policies (continued)

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.

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.

As at 31 December 2016, 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 RMB35,091,000 (2015: RMB23,276,000) higher/lower.

As at 31 December 2016, 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 RMB5,269,000 (2015: RMB1,412,000) 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 2016, 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 2016, 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 RMB17,570,000 (2015: RMB20,259,000).

(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 2016, the Group had cash of approximately RMB874,990,000 (2015: RMB372,320,000) 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 amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

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

(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 2016				
Bank borrowings				
- Principals	454	454	1,363	2,726
- Interests	73	66	158	133
Trade and other payables	11,053,248	-	-	-
	11,053,775	520	1,521	2,859
At 31 December 2015				
Bank borrowings				
- Principals	425	425	1,276	2,977
- Interests	75	69	167	167
Trade and other payables	8,206,159	-	-	-
	8,206,659	494	1,443	3,144

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2016 and 2015 were as follows:

	31 December 2016	31 December 2015
Total borrowings	4,997	5,103
Total equity	12,409,236	11,981,142
Total capital	12,414,233	11,986,245
Gearing ratio	0.04%	0.04%

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 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.

(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 such determination is made.

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 2016, the Group recorded the deferred tax assets of approximately RMB554,488,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised mainly for temporary differences arising from accrued expenses and retirement benefit obligations.

4 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) Impairment 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 impairment provision to 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 relevant accounting period.

(All amounts in thousands of RMB unless otherwise stated)

5 Revenue and segment information

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

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

6 Expenses by nature

	2016	2015
Changes in inventories of finished goods and work in progress	(73,156)	169,844
Raw materials and consumables used	18,390,006	16,116,227
Employee benefit expense (Note 7)	1,874,861	1,678,080
Depreciation of PPE (Note 12, 28)	684,383	554,197
Repairs and maintenance expenditure on PPE	153,193	147,528
Research and development expenditure	1,812,726	1,830,993
Amortisation of lease prepayment (Note 13, 28)	15,594	15,733
Amortisation of intangible assets (Note 14, 28)	10,057	7,301
Provision of warranty	261,430	168,141
Others	1,907,004	1,478,741
Total cost of sales, distribution expenses and administrative expenses	25,036,098	22,166,785

For the year ended 31 December 2016, depreciation of PPE of approximately RMB45,344,000 (2015: RMB36,374,000) and amortisation of intangible assets of approximately RMB10,465,000 (2015: RMB2,586,000) were included in research and development expenditure.

Impairment charge for trade and other receivables of approximately RMB8,952,000 (2015: RMB3,882,000) and impairment charge for inventories of approximately RMB27,693,000 (2015: RMB22,192,000), which were included in administrative expenses, were not included in expenses by nature.

(All amounts in thousands of RMB unless otherwise stated)

7 Employee benefit expense

	2016	**2015**
Wages and salaries	1,330,140	1,182,279
Social security costs	175,862	167,711
Pension costs – defined contribution plans	220,736	209,339
Pension costs – defined benefit plans (Note 24)	5,026	3,616
Others	143,097	115,135
	1,874,861	1,678,080

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.

8 Other income

	2016	**2015**
Government grants (a)	517,797	709,071
Others	(3,382)	(25,935)
	514,415	683,136

(a) In 2016, the Group received grants of approximately RMB517,797,000, mainly from Finance Bureau of Nanchang, Finance Bureau of Nanchang Qingyunpu District, Economic Development District Administrative Commission of Xiaolan and the Finance Bureau of Economic 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

	2016	**2015**
(a) Finance income		
Interest income on bank deposits	209,023	239,965
Interest income on credit sales	14,494	31,020
	223,517	270,985
(b) Finance expenses		
Interest expense on bank loans	(175)	(417)
Bank charges and others	(3,707)	(1,927)
	(3,882)	(2,344)
Net finance income	219,635	268,641

(All amounts in thousands of RMB unless otherwise stated)

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 (2015: 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:

	2016	**2015**
Current tax	244,868	321,135
Deferred tax (Note 16)	(81,293)	(33,592)
	163,575	287,543

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:

	2016	**2015**
Profit before tax	1,481,591	2,509,604
Tax calculated at tax rates applicable to profits in the respective companies	220,400	376,423
Tax concessions	(105)	(160)
Expenses not deductible for tax purposes	665	728
Income not subject to tax	(85,519)	(112,651)
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	11,242	999
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	-	3,960
Tax losses for which no deferred income tax asset was recognised	31,506	18,244
Tax charge	163,575	287,543

(All amounts in thousands of RMB unless otherwise stated)

10 Taxation (continued)

(a) Corporate income tax (continued)

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

	2016			2015		
	Before tax	Tax credit	After tax	Before tax	Tax credit	After tax
Actuarial loss on retirement benefit obligations	(1,083)	271	(812)	(2,707)	677	(2,030)
Other comprehensive income	**(1,083)**	**271**	**(812)**	**(2,707)**	**677**	**(2,030)**
Current tax		-			-	
Deferred tax (Note 16)		271			677	
		271			677	

(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.

	2016	2015
Profit attributable to shareholders of the Company	1,318,016	2,222,061
Weighted average number of ordinary shares in issue (‘000)	863,214	863,214
Basic earnings per share (RMB)	1.53	2.57

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 2016.

(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 2015							
Cost	1,819,897	3,138,887	190,888	1,421,197	2,030,067	1,282,854	9,883,790
Accumulated depreciation and impairment	(330,391)	(1,595,216)	(85,728)	(1,144,046)	(991,309)	(692)	(4,147,382)
Net book amount	1,489,506	1,543,671	105,160	277,151	1,038,758	1,282,162	5,736,408
Year ended 31 December 2015							
Opening net book amount	1,489,506	1,543,671	105,160	277,151	1,038,758	1,282,162	5,736,408
Additions	-	-	-	-	-	1,457,199	1,457,199
Transfers	114,352	261,449	34,729	193,583	399,568	(1,003,681)	-
Disposals	(4,255)	(1,612)	(1,216)	-	(2,150)	-	(9,233)
Classified as held for sale	(78,870)	-	-	-	-	-	(78,870)
Other deductions	-	(86,845)	-	-	(2,628)	(98,898)	(188,371)
Impairment charge (Note 28)	-	(1,719)	(316)	-	(981)	-	(3,016)
Depreciation charge (Note 6, 28)	(46,204)	(179,076)	(25,116)	(106,987)	(233,188)	-	(590,571)
Closing net book amount	1,474,529	1,535,868	113,241	363,747	1,199,379	1,636,782	6,323,546
At 31 December 2015							
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

(All amounts in thousands of RMB unless otherwise stated)

12 Property, plant and equipment (continued)

For the year ended 31 December 2016, depreciation expense of approximately RMB620,518,000 (2015: RMB506,108,000) was charged in cost of sales, RMB2,865,000 (2015: RMB2,284,000) in distribution expenses and RMB106,344,000 (2015: RMB82,179,000) in administrative expenses.

Lease rental expenses amounting to approximately RMB8,892,000 (2015: RMB8,809,000) 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:

	31 December 2016	31 December 2015
Opening net book amount	645,608	590,629
Additions	2,394	79,479
Classified as held for sale	-	(8,767)
Amortisation charge (Note 6, 28)	(15,594)	(15,733)
Closing net book amount	632,408	645,608
Cost	751,626	749,232
Accumulated amortisation	(119,218)	(103,624)
Net book amount	632,408	645,608

Amortisation expense was charged in administrative expenses.

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets

	Non-patent technology	Software	Goodwill	After-sale management model	Other	Total
Year ended 31 December 2015						
Opening net book amount	-	28,682	3,462	-	29	32,173
Addition	-	19,419	-	-	-	19,419
Amortisation charge (Note 6, 28)	-	(9,876)	-	-	(11)	(9,887)
Closing net book amount	**-**	**38,225**	**3,462**	**-**	**18**	**41,705**
At 31 December 2015						
Cost	-	85,627	89,028	36,978	1,649	213,282
Accumulated amortisation and impairment	-	(47,402)	(85,566)	(36,978)	(1,631)	(171,577)
Net book amount	**-**	**38,225**	**3,462**	**-**	**18**	**41,705**
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**

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets (continued)

(a) For the year ended 31 December 2016, amortisation expense of approximately RMB20,027,000 (2015: RMB9,685,000) was charged in administrative expenses, approximately RMB297,000 (2015: RMB194,000) in cost of sales and approximately RMB198,000 (2015: RMB8,000) in distribution expenses.

(b) Development costs of approximately RMB124,587,000 were capitalised as non-patent technology by the Group in 2016 (2015: Nil).

(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 2015	Addition	Impairment	31 December 2016
JMCH	3,462	-	-	3,462

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 2016 were as follows:

Item	JMCH
Compound annual volume growth rate	283%
Long term growth rate	3%
Discount rate	19.40%

The key assumptions used for value in use calculations in 2015 were as follows:

Item	JMCH
Compound annual volume growth rate	404%
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.

(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 2016	31 December 2015
Associate	39,893	40,993

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

	2016	2015
Share of profit	12,624	14,045

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

	2016	2015
At beginning of the year	214,061	140,719
Profit for the year	65,920	73,342
Dividends distributed	(71,664)	-
At end of the year	208,317	214,061
Interest in associate	19.15%	19.15%
Carrying value	39,893	40,993

(All amounts in thousands of RMB unless otherwise stated)

16 Deferred income tax

	31 December 2016	31 December 2015
Deferred tax assets	590,899	480,109
Deferred tax liabilities-can be offset	(36,411)	(6,176)
Deferred tax liabilities-cannot be offset	(27,383)	(28,392)
Deferred tax assets-net	554,488	473,933
Deferred tax liabilities-net	(27,383)	(28,392)

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

	31 December 2016	31 December 2015
At beginning of the year	445,541	411,272
Credited to profit or loss (Note 10(a))	81,293	33,592
Credited to other comprehensive income (Note 10(a))	271	677
At end of the year	527,105	445,541

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

Deferred tax assets	Provision for impairment of assets	Retirement benefits obligation	Accrued expenses	Amortization of nonpatented technology	Others	Total
At 1 January 2015	5,329	12,442	381,437	-	43,200	442,408
Credited/(charged) to profit or loss	878	220	78,607	-	(42,681)	37,024
Credited to other comprehensive income	-	677	-	-	-	677
At 31 December 2015	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

Deferred tax liabilities	Amortisation of intangible assets	PPE depreciation	Fair value gains	Forward exchange contracts	Total
At 1 January 2015	(1,678)	-	(29,458)	-	(31,136)
(Charged)/credited to profit or loss	(1,082)	(3,404)	1,066	(12)	(3,432)
At 31 December 2015	(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)

(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:

	31 December 2016	31 December 2015
Deferred tax assets:		
− Deferred tax asset to be recovered after more than 12 months	14,493	12,653
− Deferred tax asset to be recovered within 12 months	576,406	467,456
	590,899	480,109

	31 December 2016	31 December 2015
Deferred tax liabilities:		
− Deferred tax liabilities to be recovered after more than 12 months	(60,365)	(32,787)
− Deferred tax liabilities to be recovered within 12 months	(3,429)	(1,781)
	(63,794)	(34,568)

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

	31 December 2016	31 December 2015
Deductible temporary differences	40,182	98,638
Tax losses	369,032	243,515
	409,214	342,153

The expiry years of the tax losses are as follows:

	31 December 2016	31 December 2015
2017	89,447	89,447
2018	44,319	44,319
2019	36,772	36,773
2020	72,470	72,976
2021	126,024	-
	369,032	243,515

(All amounts in thousands of RMB unless otherwise stated)

17 Inventories

	31 December 2016	31 December 2015
Raw materials	1,300,443	1,170,043
Work in progress	193,152	144,654
Finished goods	440,497	416,233
	1,934,092	1,730,930

For the year ended 31 December 2016, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB18,316,850,000 (2015: RMB16,286,071,000).

A provision of approximately RMB26,491,000 (2015: RMB47,637,000) was made as at 31 December 2016. The Group reversed approximately RMB5,369,000 of a previous inventory write-down in 2016. In 2016, the Group wrote-off inventories with provision of approximately RMB48,839,000 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 2016, no inventory was pledged as security for liabilities.

18 Trade and other receivables and prepayments

	31 December 2016	31 December 2015
Trade receivables	1,188,088	1,463,736
Less: Provision for impairment of trade receivables	(15,940)	(7,319)
Trade receivables – net	1,172,148	1,456,417
Notes receivables	498,875	709,630
Other receivables	86,581	58,427
Less: Provision for impairment of other receivables	(433)	(292)
Other receivables – net	86,148	58,135
Prepayments	796,833	476,952
Interest receivables	71,804	92,636
	2,625,808	2,793,770

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.

(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:

	31 December 2016	31 December 2015
At beginning of the year	(7,611)	(7,638)
Provision for receivables impairment (Note 28)	(8,952)	(3,882)
Receivables written off during the year as uncollectible	190	3,909
At end of the year	(16,373)	(7,611)

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

As at 31 December 2016, trade receivables of approximately RMB71,342,000 (2015: RMB59,095,000) 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:

	31 December 2016	31 December 2015
Up to 3 months	2,976	34,327
3 months to 6 months	25,787	7,404
Over 6 months	42,579	17,364
	71,342	59,095

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.

(All amounts in thousands of RMB unless otherwise stated)

19 Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at bank and in hand	790,373	606,040
Short-term bank deposits (a)	10,875,849	8,242,000
	11,666,222	8,848,040

As at 31 December 2016, the Group had cash of approximately RMB874,990,000 (2015: RMB372,320,000) deposited in JMCF (Note 31 (j)). The interest rates range from 1.495%-2.25% per annum (2015: 0.455% to 3%). 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

	31 December 2016	31 December 2015
Lease prepayment and buildings of Transit plant	87,637	87,637

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. The transaction is expected to be completed within the year of 2017.

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.

(All amounts in thousands of RMB unless otherwise stated)

21 Share capital

	Number of shares (thousands)	Tradable shares			Total
		"A" shares		"B" shares	
		Restricted	Non-restricted		
Year ended 31 December 2015					
Balance at 1 January 2015	863,214	1,822	517,392	344,000	863,214
Transfer	-	(96)	96	-	-
Balance at 31 December 2015	863,214	1,726	517,488	344,000	863,214
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

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, 1,726,000 shares were still restricted as at 31 December 2016.

(All amounts in thousands of RMB unless otherwise stated)

22 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
At 1 January 2015	431,607	18,627	4,734	454,968
Other comprehensive income				
-Remeasurements of retirement benefit obligation, net of tax	-	-	(2,030)	(2,030)
At 31 December 2015	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

(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 2015 and 2016.

23 Borrowings

	31 December 2016	31 December 2015
Current		
Bank borrowings - guaranteed (a)	454	425
Non-current		
Bank borrowings - guaranteed (a)	4,543	4,678
Total borrowings	4,997	5,103

(a) Bank borrowings of USD720,000 (equivalent to approximately RMB4,997,000) (2015: USD786,000 equivalent to approximately RMB5,103,000) were guaranteed by JMCF (Note 31 (c)).

The interest rate of bank borrowings is 1.50% per annum (2015: 1.50%).

The fair value of borrowings approximates their carrying values.

(All amounts in thousands of RMB unless otherwise stated)

23 Borrowings (continued)

The maturity of non-current borrowings is as follows:

	31 December 2016	31 December 2015
Between 1 and 2 years	454	425
Between 2 and 5 years	1,363	1,276
Over 5 years	2,726	2,977
	4,543	4,678

The Group has the following undrawn borrowing facilities:

	31 December 2016	31 December 2015
Fixed rate		
- Expiring within one year	1,390,868	2,214,032

24 Retirement benefits obligations

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

	31 December 2016	31 December 2015
Present value of defined benefits obligations	58,188	56,833

The movement of early retirement and supplemental benefit obligations for the year ended 31 December 2016 is as follows:

	31 December2016	31 December2015
At beginning of the year	56,833	55,726
For the year		
-Current service cost	1,325	1,625
-Interest cost	1,633	1,991
-Payment	(4,754)	(5,216)
-Past service cost from the change of plan	1,486	-
-Actuarial loss	1,665	2,707
At end of the year	58,188	56,833
Current	4,561	4,560
Non-current	53,627	52,273
	58,188	56,833

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

(1) Discount rate adopted: 3.50% (2015: 3.00%)
(2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 6% (2015: 0% to 5%)
(3) Mortality: average life expectancy of residents in the PRC

(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 2016, a provision of approximately RMB58,188,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of approximately RMB58,188,000 is the present value of the unfunded obligations, of which the current portion amounting to approximately RMB4,561,000 (2015: RMB4,560,000) 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 5.2%/5.8%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.0%/1.7%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 0.1%/0.4%

For the year ended 31 December 2016, approximately RMB5,026,000 (2015: RMB3,616,000) were charged in ‘administrative expenses’ and approximately RMB1,083,000 (2015: RMB2,707,000) 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 2016	**31 December 2015**
At beginning of the year	214,722	226,503
Charged for the year (Note 6)	261,430	168,141
Utilised during the year	(191,525)	(179,922)
At end of the year	284,627	214,722

Analysis of total provisions:

	31 December 2016	**31 December 2015**
Non-current	130,987	104,557
Current	153,640	110,165
	284,627	214,722

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.

(All amounts in thousands of RMB unless otherwise stated)

26 Trade and other payables

	31 December 2016	31 December 2015
Trade payables	7,731,169	5,600,317
Payroll and welfare payable	289,283	278,396
Dividend payables	5,840	11,646
Other payables	3,578,886	2,818,470
	11,605,178	8,708,829

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

27 Dividends

A final dividend for 2015 of RMB889,110,000 (RMB1.03 per share) was paid in 2016.

A final dividend for 2016 of RMB 0.61 per share, amounting to a total dividend of approximately RMB526,560,000 was proposed at the Board of Directors' Meeting on 23 March 2017, 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

	2016	2015
Profit before tax	1,481,591	2,509,604
Depreciation of PPE (Note 6, 12)	729,727	590,571
Amortisation of lease prepayment (Note 6, 13)	15,594	15,733
Amortisation of intangible assets (Note 6, 14)	20,522	9,887
Impairment charges of PPE (Note 12)	2,794	3,016
Provision for receivables impairment (Note 18)	8,952	3,882
Provision of inventories (Note 17)	27,693	22,192
Loss on disposals of PPE	2,550	6,268
Finance expenses (Note 9)	3,325	1,795
Finance income (Note 9)	(223,517)	(270,985)
Net foreign exchange transaction loss	24,707	21,326
Share of profit from investment accounted for using equity method (Note 15b)	(12,624)	(14,045)
Investment (gain)/loss of forward exchange contracts	(4,098)	5,322
Changes on fair value of forward exchange contracts	(8,462)	(2,088)
Changes in working capital:		
- Decrease in restricted cash	-	6,810
- Increase in inventories	(260,023)	(133,843)
- Decrease/(increase) in trade and other receivables	90,460	(855,314)
- Increase/(decrease) in provisions for warranty	69,905	(11,781)
- Increase in trade and other payables	2,820,338	442,333
- Increase/(decrease) in pensions and other retirement benefits	272	(1,600)
Cash generated from operations	4,789,706	2,349,083

(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	
	2016	**2015**
Net book amount	4,970	9,233
Loss on disposal of PPE	(2,550)	(6,268)
Offset with trade and other payables	345	40,704
Proceeds from disposal of PPE	2,765	43,669

29 Contingencies

At 31 December 2016, 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:

	31 December 2016	**31 December 2015**
Contracted but not provided for:		
Purchases of buildings, plant and machinery	572,773	1,033,458

31 Related party transactions

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

Jiangling Motor Holdings Co. Ltd. (“JMH”), which owns 41.03% of the Company’s shares, and Ford Motor Company (“Ford”), which owns 32% of the Company’s shares, are major shareholders of the Company as at 31 December 2016. The shareholders of JMH are Chongqing Changan Automobile Corporation Ltd. and JMCG, and both of them hold 50% equity interest of JMH, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, JMH and its subsidiaries and joint venture, Ford and its subsidiaries and joint venture in the ordinary course of business during the year ended 31 December 2016.

31 Related party transactions (continued)

For the year ended 31 December 2016, 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
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Subsidiary of Ford
Ford Global Technologies, LLC	Subsidiary of Ford
Ford Otomotiv Sanayi A.S.	Subsidiary of Ford
Auto Alliance (Thailand) Co.,Ltd.	Subsidiary of Ford
Ford Vietnam Limited	Subsidiary of Ford
JMCG Interior Trim Factory	Subsidiary of JMCG
Jiangxi JMCG Industry Co.,Ltd.	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
Nanchang Gear Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Material Utilization Co.,Ltd.	Subsidiary of JMCG
Jiangling Material Co.	Subsidiary of JMCG
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Jiangxi ISUZU Engine Co.,Ltd.	Subsidiary of JMCG
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Chassis Co.,Ltd.	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	Subsidiary of JMCG
JMCG Jingma Motors Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Lear Interior System Co.,Ltd.	Joint venture of JMCG
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchen Auto Component Co.,Ltd.	Subsidiary of JMCG
Nanchang JMCG Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co.,Ltd.	Subsidiary of JMCG
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	Subsidiary of JMCG
Jiangxi Biaohong Engine Tappet Co.,Ltd.	Subsidiary of JMCG
Nanchang Jiangling Huasheng Cleaner Co.,Ltd.	Subsidiary of JMCG
Jiangxi Sinodef International Trade Co.,Ltd.	Subsidiary of JMCG
Nanchang Unistar Electric & Electronics Co.,Ltd.	Subsidiary of JMCG
Nanchang Hengou Industry Co., Ltd.	Associate of JMCG
Nanchang JMCG Car Frame Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd	Subsidiary of JMCG
Jiangxi Jiangling Real Estate Co., Ltd.	Subsidiary of JMCG
Jiangxi ISUZU Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Associate of JMCG
Nanchang Yinlun Heat-exchanger Co.,Ltd.	Associate of JMCG
JMCG Hequn Costume Co.,Ltd.	Associate of JMCG
Jiangling Aowei Aotomobile Spare Part Co.,Ltd.	Associate of JMCG
Nanchang JMCG Printing Plant Co.,Ltd.	Associate of JMCG
GETRAG (Jiangxi) Transmission Company	Associate of JMCG

31 Related party transactions (continued)

Name of related party	Relationship
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	Associate of JMCG
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	Associate of JMCG
Ford Motor Company of Australia Limited	Subsidiary of Ford
Changan Ford Automobile Co.,Ltd.	Joint venture of Ford

(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	2016	2015
Jiangxi Jiangling Chassis Co.,Ltd.	805,642	753,418
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	700,309	478,819
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	690,097	601,711
GETRAG (Jiangxi) Transmission Company	656,595	643,244
Jiangxi Jiangling Lear Interior System Co.,Ltd.	569,823	470,855
Ford	523,858	728,225
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	390,959	282,451
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	329,198	298,493
Hanon Systems	233,974	248,735
Nanchang Unistar Electric & Electronics Co.,Ltd.	216,295	213,572
Changan Ford Automobile Co.,Ltd.	208,819	9,795
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	186,315	232,562
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	95,192	19,060
JMCG	87,317	127,389
Auto Alliance (Thailand) Co., Ltd.	86,082	-
Nanchang Lianda Machinery Co.,Ltd.	69,312	76,417
Nanchang JMCG Skyman Auto Component Co.,Ltd.	69,143	71,495
Nanchang Yinlun Heat-exchanger Co.,Ltd.	52,415	50,170
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	45,933	37,086
Jiangling Aowei Aotomobile Spare Part Co.,Ltd.	33,051	34,912
Nanchang JMCG Xinchen Auto Component Co.,Ltd.	30,756	26,273
Jiangling Material Co.	25,503	25,493
Nanchang Gear Co.,Ltd.	19,394	19,024
Ford Otomotiv Sanayi A.S.	15,676	5,047
Jiangxi Biaohong Engine Tappet Co.,Ltd.	8,847	10,989
Nanchang JMCG Printing Plant Co.,Ltd.	8,548	6,879
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	6,994	8,532
JMCG Hequn Costume Co.,Ltd.	6,016	4,894
Jiangxi Jiangling Material Utilization Co.,Ltd.	1,769	4,142
Jiangxi JMCG Industry Co.,Ltd.	1,612	7,610
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd.	1,160	-
Jiangxi ISUZU Engine Co.,Ltd.	1,039	11,347
JMCG Interior Trim Factory	-	190,609
Nanchang Jiangling Huasheng Cleaner Co.,Ltd.	-	9,220
	6,177,643	5,708,468

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

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

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Purchase of services	Natures of transaction	2016	2015
Ford	Engineering service and design	287,301	318,484
Ford Otomotiv Sanayi A.S.	Engineering service and design	252,248	231,703
Nanchang JMCG Shishun Logistics Co., Ltd.	Transportation	179,326	166,329
Ford Global Technologies, LLC	Royalty fee	143,109	87,387
Nanchang Hengou Industry Co., Ltd.	Packing/truckage	61,692	43,433
Ford	Secondments costs	37,716	56,339
Ford Otomotiv Sanayi A.S.	Secondments costs	31,996	22,261
Jiangxi JMCG Industry Co.,Ltd.	Working meal	30,568	31,826
JMCG Jiangxi Engineering Construction Co., Ltd.	Engineering construction and maintenance	21,636	27,476
Ford Otomotiv Sanayi A.S.	Royalty fee	16,347	49,818
Jiangxi Jiangling Lear Interior System Co.,Ltd.	Evaluation and design	12,665	6,332
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business of importation	4,842	5,323
Ford Motor (China) Co., Ltd.	Regional personnel costs	4,321	6,087
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	2,908	2,461
Hanon Systems	Experimental manufacturing costs	2,479	-
JMCG Property Management Co.	Property management	2,384	2,302
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	Experimental manufacturing costs	2,158	597
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	Promotion	2,022	7,882
Changan Ford Automobile Co.,Ltd.	Design fee	1,650	-

(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**	**2016**	**2015**
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	Promotion/Repairment	1,619	-
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	Experimental manufacturing costs	1,309	729
JMH	Secondments costs	1,282	1,465
JMCG	Public relations costs	1,119	1,134
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Software fee	-	2,953
GETRAG (Jiangxi) Transmission Company	Design fee	-	2,831
Ford	Royalty fee	-	2,416
Ford Motor (China) Co., Ltd.	Software fee	-	1,229
Others		1,075	-
		1,103,772	1,078,797

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

(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	2016	2015
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,184,310	1,066,146
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	152,519	189,793
JMCG Jingma Motors Co., Ltd.	80,192	60,741
Jiangxi Jiangling Chassis Co.,Ltd.	79,391	55,627
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	53,764	48,032
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	48,545	36,271
Jiangxi Jiangling Material Utilization Co.,Ltd.	30,047	47,818
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	18,868	529
Jiangxi Jiangling Lear Interior System Co.,Ltd.	13,567	16,526
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd.	8,757	-
Jiangxi JMCG Industry Co.,Ltd.	8,557	9,606
Jiangxi Sinodef International Trade Co.,Ltd.(i)	7,873	16,949
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	7,453	6,939
JMCG Property Management Co.	7,228	7,043
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	6,942	95
Nanchang Hengou Industry Co., Ltd.(i)	4,272	-
JMH	3,428	972
Jiangxi ISUZU Co., Ltd.	1,885	1,952
JMCG Interior Trim Factory	-	16,989
Jiangxi ISUZU Engine Co.,Ltd.	-	3,928
Nanchang JMCG Car Frame Co., Ltd.	-	3,669
Others	2,173	1,775
	1,719,771	1,591,400

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

(i) In November 2016, Nanchang Hengou Industry Co.,Ltd. absorbed Jiangxi Sinodef International Trade Co.,Ltd.

Provision of services	2016	2015
Ford Motor Company of Australia Limited	6,706	-

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

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

(b) Rental

Rental cost

Lessor	Category	Rental cost of 2016	Rental cost of 2015
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Building	4,400	4,471
JMCG	Building	4,069	4,074
JMCG Property Management Co.	Building	423	259
Jiangxi Jiangling Real Estate Co., Ltd.	Building	-	5
		8,892	8,809

Rental income

Lessee	Category	Rental income of 2016	Rental income of 2015
Jiangling Material Co., Ltd.	Building	132	132
JMH	Building	107	35
GETRAG (Jiangxi) Transmission Company	Building	70	-
Jiangxi ISUZU Co., Ltd.	Building	-	21
		309	188

(c) Guarantee

As at 31 December 2016, bank loans of USD720,000 (equivalent to approximately RMB4,997,000) (2015:USD786,000 equivalent to approximately RMB5,103,000) were guaranteed by JMCF (Note 23).

(d) Sales of PPE

	2016	2015
Jiangxi JMCG Industrial Co., Ltd.	15	10

(e) Purchase of PPE

	2016	2015
Nanchang Jiangling HuaXiang Auto Components Co.,Ltd.	8,262	-

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

(f) Provide technique sharing

	2016	2015
JMCG	92,453	-
Ford Vietnam Limited	1,149	-
	93,602	-

(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 2016, the total remuneration of the key management was approximately RMB11,786,000 (2015: RMB11,262,000).

(h) Interest received from cash deposit in related parties

	31 December 2016	31 December 2015
JMCF	10,037	7,828

In 2016, the interest rates range from 1.495% to 2.25% per annum (2015: 0.455% to 3%).

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

Trade receivables from related parties	**31 December 2016**	**31 December 2015**
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	230,848	230,762
JMCG Jingma Motors Co., Ltd.	10,530	8,337
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	3,304	-
Jiangxi JMCG Industry Co.,Ltd.	2,036	3,384
Nanchang Hengou Industry Co., Ltd.	1,694	-
JMH	1,664	-
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	1,360	9
Ford Vietnam Limited	1,149	-
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	-	24,097
Nanchang JMCG Car Frame Co., Ltd.	-	2,453
Others	135	229
	252,720	269,271

Other receivables from related parties	**31 December 2016**	**31 December 2015**
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	30,338	6,941
Ford Otomotiv Sanayi A.S.	1,225	1,225
Others	922	-
	32,485	8,166

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Prepayments for purchasing of goods	31 December 2016	31 December 2015
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	410,220	211,530

Notes receivables from related parties	31 December 2016	31 December 2015
JMCG Jingma Motors Co., Ltd.	44,827	27,080
Jiangxi Jiangling Chassis Co., Ltd.	-	4,217
	44,827	31,297

Prepayments for construction in progress	31 December 2016	31 December 2015
JMCG Jiangxi Engineering Construction Co., Ltd.	8,106	1,755
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	273	20,166
	8,379	21,921

Prepayments for mould lease	31 December 2016	31 December 2015
Changan Ford Automobile Co., Ltd.	32,528	18,517

Cash deposit in related parties	31 December 2016	31 December 2015
JMCF (Note 19)	874,990	372,320

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Trade payables to related parties	31 December 2016	31 December 2015
Jiangxi Jiangling Lear Interior System Co.,Ltd.	381,357	195,310
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	286,710	330,939
Jiangxi Jiangling Chassis Co.,Ltd.	267,405	210,110
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	255,916	199,259
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	210,407	112,597
GETRAG (Jiangxi) Transmission Company	180,956	181,415
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	144,608	105,596
Ford	117,540	127,701
Changan Ford Automobile Co.,Ltd.	113,485	5,829
Hanon Systems	87,404	96,058
JMCG	73,518	136,953
Nanchang Unistar Electric & Electronics Co.,Ltd.	50,575	71,433
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	43,618	17,574
Nanchang Lianda Machinery Co.,Ltd.	23,570	22,373
Nanchang JMCG Skyman Auto Component Co.,Ltd.	23,538	22,024
Nanchang Yinlun Heat-exchanger Co.,Ltd.	20,612	15,247
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	17,778	10,737
Jiangling Aowei Aotomobile Spare Part Co.,Ltd.	13,475	13,860
Auto Alliance (Thailand) Co.,Ltd.	12,004	-
Nanchang JMCG Xinchen Auto Component Co.,Ltd.	10,194	7,049
Nanchang Gear Co.,Ltd.	5,777	6,680
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	3,654	-
Ford Otomotiv Sanayi A.S.	2,687	-
Nanchang JMCG Printing Plant Co.,Ltd.	2,507	1,474
Jiangxi Biaohong Engine Tappet Co.,Ltd.	2,362	3,156
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	2,137	3,872
Jiangling Material Co.	933	1,501
Jiangxi Jiangling Material Utilization Co.,Ltd.	612	1,192
Nanchang Jiangling Huasheng Cleaner Co.,Ltd.	-	5,274
Others	538	1,202
	2,355,877	1,906,415

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Other payables to related parties	**31 December 2016**	**31 December 2015**
Ford Otomotiv Sanayi A.S.	232,672	122,899
Ford	176,871	110,278
Ford Global Technologies, LLC	58,517	48,500
Jiangxi Jiangling Lear Interior System Co.,Ltd.	16,154	5,178
JMCG Jiangxi Engineering Construction Co., Ltd.	12,511	8,333
Nanchang Hengou Industry Co., Ltd.	11,378	11,815
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	6,157	5,590
Nanchang JMCG Shishun Logistics Co., Ltd.	3,944	2,773
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	3,751	1,745
GETRAG (Jiangxi) Transmission Company	1,550	6,650
JMCG Hequn Costume Co.,Ltd.	1,410	1,189
JMH	1,303	386
Ford Motor (China) Co., Ltd.	1,199	4,340
Nanchang JMCG Printing Plant Co.,Ltd.	1,168	502
JMCG	1,041	928
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	616	3,668
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	466	1,126
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	167	13,554
Others	4,174	2,106
	535,049	351,560

Advance from related parties	**31 December 2016**	**31 December 2015**
Jiangxi Specialty Vehicles Jiangling Motors Group Co.,Ltd.	4,294	96
Jiangxi Sinodef International Trade Co.,Ltd.	-	737
Others	342	380
	4,636	1,213

(k) Related parties commitments

Capital commitments	**31 December 2016**	**31 December 2015**
JMCG Jiangxi Engineering Construction Co., Ltd.	40,334	29,304

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 23, 2017