Share's name:	Jiangling Motors Jiangling B	Share's code:	000550 200550	No.:	2002-003

Jiangling Motors Corporation, Ltd.
2001 Annual Report

Contents

Important Note: The Board of Directors is collectively and individually liable for the truthfulness, accuracy and completeness of the information disclosed in the report and undertakes that no major events have been omitted, and that there are no misstatements and no material misleading information in this report.

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

Except that the Financial Report (chapter X) of the English version is drawn up according to the Auditors' Report made in accordance with International Accounting Standards, all financial data are based on Chinese Accounting Standards.

Abbreviations:

SEVP	Senior Executive Vice President
EVP	Executive Vice President
CFO	Chief Financial Officer
VP	Vice President

Chapter I Brief Introduction

JMC's Chinese name: 江铃汽车股份有限公司
English name: Jiangling Motors Corporation, Ltd.
Abbreviation: JMC
JMC's legal representative: Mr. Sun Min
JMC's board secretary: Mr. Xiong Zhongping
JMC's securities affair representative: Mr. Quan Shi
Contact address: No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province
Telephone: 0791-5232888-6178
Fax: 0791-5232839
E-mail: jmcgh@public.nc.jx.cn
Persons for financial information disclosure: Mr. Manto Wong (Tel.: 0791-5235742)
JMC's registered address & headquarters address: No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province.
Post Code: 330001
JMC's website: http://www.jmc.com.cn
Newspapers for information disclosure: China Securities, Securities Times, Hong Kong Commercial Daily
Web site designated by CSRC for publication of JMC's Annual Report: http://www.cninfo.com.cn
Place for placing Annual Report: Securities Department, Jiangling Motors Corporation, Ltd.
Place of listing: Shenzhen Stock Exchange
Share's name: Jiangling Motors Jiangling B
Share's code: 000550 200550
Other Information:

1. JMC was registered with Nanchang Municipal Bureau of Industrial & Commercial Administration on November 28, 1993 and changed its registration with Jiangxi Provincial Bureau of Industrial & Commercial Administration on January 8, 1997.
2. Business Registration Number: 002473.
3. Taxation Registration Number: 360100612446943.
4. Accountant Firms appointed by JMC:
   Auditing firm per Chinese Accounting Standards:
   Name: PwC Zhong Tian
   Headquarters address: 325, ShenJiaNong, PuDong New Zone, Shanghai
   Auditing firm per International Accounting Standards:
   Name: Ernst & Young
   Headquarters address: 15th Floor, Hutchison House, 10 Harcourt Road, Hong Kong

Chapter II Operating Highlight

1. Some Financial Indexes of the Report Year

Unit: RMB'000

Total profits	101,158
Net profits	100,848
Net profits after non-recurring income and loss	163,766
Profits from main business	828,064
Profits from other business	12,498
Operating profits	162,263
Investment income	1,813
Subsidy income	0
Net non-operating profits	-62,918
Net cash flows from operating activities	681,185
Net increase in cash and cash equivalent	-154,375

Notes: deducted non-recurring items and amounts involved Unit: RMB'000

Item	**Amount**
Net non-operating profits	-62,918
Total	-62,918

The net profit of JMC in 2001 was RMB 100,848 thousand per Chinese accounting standards ('CAS'), or RMB 142,395 thousand per international accounting standards ('IAS'). The difference was mainly attributable to adjustments in connection with the adoption of IAS 38 "Intangible Assets"; amortization of deferred staff costs; and devaluation provisions for receivables and inventories.

Adjustment table on financial statement difference

Unit: RMB '000

	Net assets	Net profits
	December 31, 2001	2001
Balance in the consolidated statement based on IAS #	1,654,123	142,395
Adjustment per enterprise accounting system:		
Timing difference between concerning provisions and expenses recognition	-585	-72,032
Payables unable to be paid		-3,141
Unrecognized investment loss		12,043
Difference between housing revolving fund amortization	-45,287	20,531
Difference between water & power capacity expansion	7,236	-5,899
Difference between minority interests	877	6,952
Balance after the adjustments per enterprise accounting system	1,616,364	100,848

Based on the financial statements audited by Ernst & Young per IAS.

2、Main accounting data and financial indexes of recent three years. Unit: RMB'000

Item	2001	2000		1999	
		Adjusted	Unadjusted	Adjusted	Unadjusted
Turnover	3,379,072	2,824,840	2,824,840	2,439,819	2,439,819
Net profits	100,848	55,366	53,291	-162,665	-161,080
Total assets	3,666,636	4,257,278	4,302,039	4,463,036	4,509,959
Shareholders' equity (after minority interests)	1,616,364	1,524,418	1,654,346	1,554,132	1,601,055
Earnings per share (RMB)	0.12	0.06	0.06	-0.19	-0.19
Net assets per share (RMB)	1.87	1.77	1.92	1.80	1.86
Adjusted net assets per share (RMB)	1.51	1.22	1.24	1.08	1.10
Net cash flow per share from operating activities (RMB)	0.79	1.21	1.21	1.12	1.12
Return on net assets ratio	6.24%	3.63%	3.22%	-10.47%	-10.06%

Year 2001 Return on net assets ratio and earnings per share

Profit of report period	Return on net assets ratio		earnings per share(unit: RMB)	
	diluted	weighted	diluted	weighted
Profits from main business	51.23%	52.73%	0.96	0.96
Operating profits	10.04%	10.33%	0.19	0.19
Net profits	6.24%	6.42%	0.12	0.12
Net profits after non-recurring income and loss	10.13%	10.43%	0.19	0.19

3. Year 2001 devaluation provisions table Unit: RMB '000

Item	Jan. 1, 2001		Increase		Write-off		Dec. 31, 2001	
	Consolidated	Company	Consolidated	Company	Consolidated	Company	Consolidated	Company
I. Bad-debt provision	74,849	74,842	5,546	5,514	-12,137	-12,130	68,258	68,226
Including: receivables	65,057	65,055	1,556	1,551	-12,137	-12,130	54,476	54,476
Other receivables	9,792	9,787	3,990	3,964			13,782	13,751
II. Short-term investment devaluation provision								
Including: share investment								
Bond investment								
III. Inventory devaluation provision	31,131	22,107	28,464	18,793	-5,609	-5,609	53,986	35,291
Including: commodities in stock			4826	207			4,826	207
Raw materials	31,131	22,107	23,638	18,586	-5,609	-5,609	49,160	35,084
IV. Long-term investment devaluation provision								
Including: long-term stake investment								
Long-term credit right investment								
V. Fixed asset devaluation provision	16,220	16,220	4,227	4,227	-12,408	-12,408	8,039	8,039
Including: houses, buildings			419	419			419	419
Machines	10,215	10,215	2,979	2,979	-6,465	-6,465	6,729	6,729
Conveyance facilities	505	505	59	59	-539	-539	25	25
Electrics & other equipment	5,500	5,500	770	770	-5,404	-5,404	866	866

VI. Intangible asset devaluation provision								
VII. construction-in-progress devaluation provision			39,847	39,847			39,847	39,847
VIII. designated loan devaluation provision								

4. Notes to changed items

Item	Change Ratio	Cause
Bills receivable	3,682.00%	Settlement with dealers by bank-accepted bills in 2001
Non-operating expenses	613.50%	8 provisions in 2001

5. Shareholders' Equity Change in year 2001 Unit: RMB'000

Item	**Share capital**	**Capital reserves**	**Surplus reserves**	**Statutory public welfare fund**	**Retained profits**	**Unconfirmed investment loss**	**Total**
At the beginning of the year	863,214	832,027	146,303	41,799	-317,126	0	1,524,418
Increase	0	3,141	0	0	188,340	-12,043	91,946
Decrease	0	0	87,492	41,799			0
At the end of the year	863,214	835,168	58,811	0	-128,786	-12,043	1,616,364
Cause of change		Payables unable to be paid	covering the loss incurred by housing revolving fund amortization	Covering the loss incurred by housing revolving fund amortization	Year 2001 profit and covering loss with surplus reserve	Excess of the accumulated loss in a wholly-owned subsidiary over the investment in it	Year 2001 profit

Chapter III Share Capital Change & Shareholders

Section 1 Share Capital Change

Table on the change of shareholding structure

	Before the change	**Change (+, -)**						**After the change**
		Allocated Shares	Bonus Shares	Reserve-converted shares	New issuance	others	subtotal	
I. Non-listed shares								
1. Promotion shares	354,176,000							354,176,000
Including:								
State-owned shares	354,176,000							354,176,000
Domestic legal-person shares								
Foreign legal-person shares								
Others								
2. Raising legal-person shares	47,438,000							47,438,000
3. Management	69,540							69,540

shares								
4. Preferred shares or others								
Subtotal	401,683,540							401,683,540
II. Listed shares								
1. A shares	117,530,460							117,530,460
2. B shares	344,000,000							344,000,000
Overseas-listed Foreign-invested shares								
Others								
Subtotal	461,530,460							461,530,460
3. total	863,214,000							863,214,000

JMC did not issue shares or derivative securities during the three years ending December 31, 2001. JMC's total shares and the share structure remained the same in 2001.

Section 2 Shareholders

1. JMC had 80,049 shareholders, including 64,134 A shareholders and 15,915 B shareholders, as of December 31, 2001.

2. The top ten shareholders as of December 31, 2001:

No.	Name	Change in 2001 (+, -)	Shares at the end of 2001	Ratio in the total capital stock（%）	Share type
1	Jiangling Motors Company (Group) ('JMCG')	0	354,176,000	41.03	State-owned legal-person shares
2	Ford Motors Company ('Ford')	0	258,642,800	29.96	Circulating B shares
3	Shanghai Automotive Co., Ltd.	0	25,970,000	3.01	Domestic legal-person shares
4	China Baoan Group Co., Ltd.	0	12,000,000	1.39	Domestic legal-person shares
5	Liu Liaoyuan	3,142,200	3,142,200	0.36	Circulating B shares
6	Guangdong Securities Company	-1,000,100	1,797,400	0.21	Circulating B shares
7	Tong Qian Securities Investment Fund	1,434,694	1,434,694	0.17	Circulating A shares
8	Guangdong Machinery & Electronic Company	0	1,200,000	0.14	Domestic legal-person shares
9	Shenzhen Airport Terminal Building Co., Ltd.	0	1,200,000	0.14	Domestic legal-person shares
10	CR AGRICOLE INDO LUX A/C CARLSON FUND MGT CO.	1,200,000	1,200,000	0.14	Circulating B shares

Notes: i. The shares held by JMCG and Ford which each holds more than 5% of JMC's total shares are not frozen or on mortgage.

ii. There is no association between the shareholders who respectively hold more than 5% of JMC's total shares.

iii. JMCG holds the shares on behalf of the state; Ford, Liu Liaoyuan, Guangdong Securities Company and CR AGRICOLE INDO LUX A/C CARLSON FUND MGT CO. hold foreign-invested shares.

3. Controlling Shareholders

The controlling shareholders of JMC are JMCG and Ford, and there is no change in respect of the controlling shareholders in 2001.

JMCG, a wholly state-owned enterprise founded on July 27, 1991, is subordinate to the State Assets Administration Bureau of Nanchang. Its registered capital is RMB 420.85 million, and its legal representative is Mr. Sun Min. Main business scope: manufacture of automobiles, engines, chassis, variant vehicles and automotive components, automotive quality test, sales of self-produced products, as well as related after-sale services.

Ford, founded in 1903, is a US-based listed company. Its registered capital is US$ 1.222 billion. Chairman & CEO: William Clay Ford, Jr. Main business scope: design, manufacturing, assembly and sales of cars, trucks, parts and component, financing, leasing of vehicles and equipment, and insurance business.

Chapter IV Directors, Supervisors, Senior Management and Employees

Section 1 Directors, Supervisors and Senior Management

1. Basic Information

	Position	Name	Sex	Age	Shares at the end of the year 2001	Share change in the year 2001	Reason for share change
Directors	Chairman	Sun Min	male	66	55080	0	
	Vice Chairman	Mei Wei Cheng	male	52	0	0	
	Director	Qi Honghao	male	54	0	0	
	Director	Gurminder S. Bedi	male	55	0	0	
	Director & President	Zou Xing	male	39	0	0	
	Director	Liu Shanbo	male	57	4800	0	
	Director	Norbert Kuehne	male	57	0	0	
	Director	Martin Leach	male	45	0	0	
	Director and SEVP	Gordon L. Spaulding	male	52	0	0	
	Director & EVP	Lu Shuifang	male	48	0	0	
	Director	Luo Jun	male	51	4800	0	
Supervisors	Chief Supervisor	Wu Yong	male	52	4860	0	
	Supervisor	Chen Xiaomu	male	51	0	0	
	Supervisor	Que Zhongmin	male	56	0	0	
	Supervisor	Zhu Yi	male	32	0	0	
	Supervisor	Xu Shungen	male	39	0	0	
Senior Management	EVP	Xiong Chunying	female	38	0	0	
	VP	Tu Hongfeng	male	53	0	0	
	VP	Eric Hoile	male	60	0	0	
	VP	Bob Bax	male	55	0	0	
	VP	Zhong Wanli	male	38	0	0	
	CFO	Manto Wong	male	39	0	0	

	VP	Wan Hong	male	41	0	0	
	VP	Zhou Yazhuo	male	39	0	0	
	Board Secretary	Xiong Zhongping	male	39	0	0	

The term of office of all the Directors, the Supervisors and the senior management will expire in June 2002.

Positions held by the directors and the supervisors in shareholder entities:
Chairman Sun Min is the Chairman of JMCG;
Director Zou Xing is a board member of JMCG;
Director Liu Shanbo is a board member and the General Manager of JMCG;
Director Lu Shuifang is a board member of JMCG;
Director Luo Jun is a board member of JMCG, and the Chairman and the General Manager of JMCG Finance Co. Ltd.

Vice Chairman Mei Wei Cheng is a Vice President of Ford, the Chairman & CEO of Ford Motor (China), Ltd.;
Director Gurminder S. Bedi is a retired Vice President of Ford;
Director Norbert Kuehne is CFO of Ford Motor (China), Ltd.;
Director Martin Leach is a Vice President of Ford (Europe).

Director Qi Honghao is an official in the Strategic Committee of Shanghai Automobile Industry Group Company.

Chief Supervisor Wu Yong is a board member of JMCG;
Supervisor Zhu Yi is the head of JMCG Asset & Finance Department;
Supervisor Xu Shungen is a leader of JMCG Audit Department.

2. Annual Compensation
The directors and the supervisors who did not concurrently hold other employment positions in JMC were not paid by JMC. Directors Sun Min, Liu Shanbo, Luo Jun, Supervisors Wu Yong, Zhu Yi and Xu Shungen were paid by JMCG. Directors Mei Wei Cheng, Gurminder S. Bedi, Norbert Kuehne and Martin Leach were paid by Ford. Director Qi Honghao was paid by Shanghai Automobile Industry Group Company.

(1) The compensation for the Chinese-side senior management consists of two parts: the fixed part is base salary, and the variable part is annual incentive bonus fund connected with operating performance.
A. Salary system: the Board of Directors approves JMC's total salary in the annual budget, and determines the salary system for JMC's employees, including Chinese-side senior management, per the compensation status of the senior management in the enterprises in the same industry and of the same scale and the compensation level in the talent market.
JMC had 8 Chinese-side senior management persons. Their total annual salary was about RMB 580 thousand. The total salary of the top 3 persons with the highest salary amongst the 8 ones was RMB 250 thousand. One person was paid between RMB 80

thousand and 90 thousand, 4 persons between 70 thousand and 80 thousand, 3 persons between 40 thousand and 70 thousand. Two employee-representative supervisors were paid between RMB 30 thousand and 40 thousand.
B. Annual incentive bonus fund: JMC Executive Committee reviewed and submitted the senior management bonus plan and performance evaluation metrics to the Board of Directors for approval. Pursuant to this plan, the annual bonus for the senior management personnel ranges from RMB 200 thousand to 650 thousand. The Board of Directors is reviewing the plan.

(2) JMC pays to Ford the annual compensation for Ford-seconded senior management personnel in line with the Personnel Agreement and Supplementary Contract for Personnel Agreement signed between Ford and JMC, and Ford pays the senior management and other foreign personnel seconded to JMC. In 2001, JMC paid US$ 2 million, including salary & insurance, etc., to Ford for seven Ford secondees. The seven foreign secondees include four senior management personnel appointed by the Board of Directors. The annual compensation for the 4 senior management persons averaged US$ 250 thousand per person.

3. Stepping-down of Directors, Supervisors and Senior Management in 2001
In 2001, Mr. Lu Shuifang was elected a director of JMC upon the approval at the annual shareholders' meeting. Due to job change, Mr. Liao Zanping is no longer a JMC director..

4. Appointment or Dismissal of Senior Management
Mr. Eric Hoile was appointed a Vice President of JMC pursuant to a resolution of the 5th session of the 3rd Board of Directors. There was no other appointment or dismissal of senior management.

Section 2 Employees

At the end of 2001, JMC had a total of 5,802 employees, of whom 4,142 were production workers, 226 sales personnel, 695 technical persons, 93 finance persons, 636 administrative persons and 10 others. The employees with polytechnic school degrees or above accounted for 31.19% of the total. There were 720 persons with junior technical title, 421 with intermediate technical title and 122 with senior technical title, together accounting for 21.18% of the total. There were 1,691 internally retired employees and 201 laid-offs. JMC paid retirement benefits to a total of 1,490 retired employees.

Chapter V Corporate Governance

1. Status of the Corporate Governance in JMC
Pursuant to the Governance Rules for Listed Companies and other regulations, and considering the situations of JMC, there are the following issues to be improved in

JMC:

(1). To establish independent director system;

(2). To sign appointment contracts with the directors to define the rights and the obligations between JMC and the directors;

(3). To revise the Articles of Association of JMC, formulate meeting rules for shareholders' meetings, Board of Directors and Supervisory Committee per the Governance Rules.

2. JMC's Separation from the Controlling Shareholders in respects of Personnel, Assets and Finance, and Independence concerning the Organization and the Business:

(1). As far as the personnel is concerned, the chairman position and the president position are held by different persons, JMC's senior management do not hold positions other than director positions in entities which are controlling shareholders of JMC; all senior management personnel drew their salaries from JMC; the labor, personnel matters and salary management of JMC are completely independent.

(2) As far as the assets are concerned, the assets of JMC are complete. The assets, including production system, auxiliary production system and conveyance facilities, and non-patent technology which are mainly utilized by JMC, are owned / controlled by JMC.

(3) In respect of the finance, JMC has independent finance department and independent accounting system, and has a standardized and independent accounting system and financial control system for branches and subsidiaries. JMC has its own bank accounts, and there is no bank account jointly possessed by JMC and the controlling shareholders. JMC pays taxes independently.

(4). In respect of the organization, JMC's organization is independent, complete and scientific, has good operating mechanism and efficiency. The establishment and the operation of JMC's corporate governance are strictly carried out per the Articles of Association of JMC. The production and administrative management are completely independent of the controlling shareholders. JMC has set up the organization structure which meets the need for its development.

(5). In respect of business, JMC has independent purchasing, production and sale systems. The purchasing, production and sales of main materials and products are carried out through its own purchasing, production & sale systems. There are related transactions with controlling shareholders only in respects of the purchasing for rear axle, transmission and some interior trims, etc. JMC is independent of the controlling shareholders in respect of the business, and has independent & complete business and self-operating ability. The controlling shareholders engaged in no production or sales of the same products as JMC to compete with JMC.

3. The Establishment and the Execution of the Senior-management Evaluation & Incentive System in 2001

JMC Executive Committee reviewed the 2001 Senior Management Bonus Plan and Senior Management Performance Evaluation Metrics, which was drafted by the Compensation Affair Team, on February 4, 2002, and submitted the documents to the

Board of Directors for approval.

The 2001 senior management bonus plan is to reward JMC's senior management and business key persons on basis of performance evaluation and per the execution status of the year 2001 budget.

Formula of 2001Management Incentive Base Bonus:

=10% × Budget PAT + 6% × (Audited actual PAT – Budget PAT)

The base bonus will be modified in line with the bonus points stipulated in the year 2001 senior management performance evaluation metrics. The total bonus after modification is about RMB 8 million. 46% of the total bonus is for the senior management. The other 54% of the total bonus is for mid management and the business key persons.

The Board of Directors is reviewing the bonus plan. We will publish another announcement upon approval.

Chapter VI Shareholders' Meeting

1. Notice, Convening and Holding of the Shareholders' Meeting

JMC published the Public Announcement on Holding 2000 Annual Shareholders' Meeting in China Securities, Securities Times and Hong Kong Commercial Daily on April, 5, 2001.

The 2000 Annual Shareholders' Meeting of JMC was held in the conference room on the fourth floor of the Administrative Building of JMC on June 1, 2001. A total of 22 shareholders and proxies attended the meeting, who totally represented 638,811,560 JMC shares which accounted for 74% of the total share capital of JMC. At this meeting, there were 21 A shareholders who totally held 380,168,760 A shares which accounted for 44.04% of the total share capital, and there was 1 B shareholders who held 258,642,800 B shares which accounted for 29.96% of the total share capital.

2. Resolutions passed at the JMC 2000 Annual Shareholders' Meeting:

(1) approved the 2000 Work Report of the Board of Directors.

(2) approved the 2000 Work Report of the Supervisory Committee.

(3) approved the 2000 Financial Report.

(4) approved the Proposal on Profit Distribution for 2000 and Profit Distribution Policy for 2001.

(5) approved the Proposal on Accounting Treatment for Housing Revolving Fund.

(6) approved the Proposal on Director Change.

The public announcement of the resolutions of this shareholders' meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on June 2, 2001.

3. Election & Change of the Directors and the Supervisors

JMC 2000 Annual Shareholders' Meeting approved the nomination by JMCG to replace Liao Zanping with Lu Shuifang as a director of JMC.

Chapter VII Report of the Board of Directors

Section 1 Business review

1. Operation in the Report Period

JMC mainly engages in the production and sales of Transit commercial vehicles, JMC series light trucks and Isuzu series light trucks, and related components and services. In 2001, JMC produced 36,848 units, sold 37,140 units and realized sales revenue of RMB 3,379 million, up 37.44%, 41.83% and 19.62% respectively compared with year 2000. 22,386 units of N series light truck, 7,415 units of T series pickup, and 7,339 units of Transit series were sold. JMC ranked the 13th by sales volume in the automobile industry, the 3rd in light truck market and the 11th in light bus market in 2001 (Source: 2002 first issue, Flash Report of Automobile Production and Sales published by China Automobile Industry Association).

The Detailed Table on the Year 2001 Income & Expenses from the Main Business

Unit: RMB '000

Product	Turnover	Expenses in main business	Main business taxes	Profit from main business	Margin
Whole vehicle	3,315,633	2,453,412	46,241	815,980	24.61%
Others	63,439	51,355	0	12,084	19.05%
Total	3,379,072	2,504,767	46,241	828,064	24.51%

2. Operation Results of Subsidiaries

Name of Subsidiaries	Business	Main Products	Registered Capital	Assets (RMB '000)	Turnover (RMB '000)	Operating Profits (RMB '000)	Net Profits(RMB '000)
Jiangling-Isuzu Motors Company, Ltd.	Manufacture	N series Light Truck, TF series Pickup	$30.00 mil.	568,885	2,007,192	35,615	30,360

3. Main Suppliers and Customers

The total amount of the purchase from the top 5 suppliers was RMB 648,635 thousand, accounting for 24.62% of JMC's total annual purchasing amount. The total sale amount to the top 5 customers was RMB 851,751 thousand, accounting for 25.20% of JMC's total turnover.

4. Business Challenges and Measures

In 2001, JMC achieved good operation performance by increasing sale volume by 41.83% and turnover by 19.62% to RMB 3,379 million compared with year 2000. JMC's year 2001 sale volume exceeded the target set at the beginning of the year, because JMC adopted new marketing strategy timely and accurately, and insisted on the principle of 'high quality, multi-model product, medium pricing and excellent services'.

Key management measures in 2001:

(1) JMC adopted effectual market competition strategy under the foregoing principle, stressed the 'high quality & low pricing' and comprehensive competitive advantage of JMC's automobiles, and formed the foundation for the great increase in the production and sale volumes.

(2) JMC planed and developed the popular new products in line with market

information, and the light van, 2001-model pickup and a variety of Transit derivatives strongly supported the sales;
(3) JMC implemented the quality improvement for the whole year of 2001, set definite target for every brand to improve the quality management level, spread the scientific management methods such as subsystem method, and improved the quality indexes of main products significantly when production and sale volumes increased greatly;
(4) JMC continued to optimize the marketing network, drew up a complete set of promotion strategy, attached importance to customized service, and strove to improve the customer service level; and
(5) JMC strengthened the cost accounting, made scientific analysis for all the links of the production process, greatly reduced manufacture & purchasing costs, and enforced internal control system to control the expenses effectively.

5. Investment during the Report Period
(1) In 2001, JMC did not raise equity fund, nor did it use equity fund raised in previous years.
(2) Non-raised fund Use

Program Name	Total Investment	Progress	Planned Job#1 Date
EFI Gas Engine	RMB 29.33 mil.	RMB 13.73 mil. Launched	4th quarter of 2002
Phase I of Engine Lab	RMB 10.85 mil.	Completed	December 2001
Emission equipment construction & improvement, phase II of engine lab	RMB 5.80 mil.	RMB 37 thou launched	July 2002
C2, M3 stamping lines	RMB 34.374 mil.	RMB 27.14 mil. launched	2nd half of 2002

6. Financial Status
The total assets in year-end 2001 were RMB 3,666,636 thousand, down RMB 590,642 thousand compared with year 2000. Current assets decreased by RMB 252,168 thousand, mainly due to reduction in monetary fund and inventory; fixed assets decreased by RMB 172,677 thousand, and intangible and deferred assets by RMB 161,608 thousand, mainly due to current year depreciation and amortization.
The long-term liabilities as of year-end 2001 were RMB 731,093 thousand, down RMB 460,857 thousand compared with year 2000, mainly due to repayment of long-term loans.
The shareholders' equity as of year-end 2001 was RMB 1,616,364 thousand, up RMB 91,946 thousand compared with year 2000. This was attributable to the profit of year 2001.
The profits from main business in 2001 were RMB 828,064 thousand, up RMB 155,956 thousand compared with year 2000. This was mainly attributable to the increases in sales volume and turnover.
The net profit in 2001 was RMB 100,848 thousand, up RMB 45,482 thousand compared with year 2000. This was mainly attributable to the increase in turnover and the decrease in production costs and financial expenses.

7. Impact of Policy or Regulation Changes upon the Operation
The Economy & Trade Commission of the state released '10th 5-year' Plan for Automobile Industry in late June 2001, directing that the automobile industry would

develop in the way of combining open competition with self development, and to promote the development of the strong & good enterprises, thus the automobile industry would be a pillar of the state economy.

Pursuant to this plan, the open & fair competition policy for the automobile industry will help JMC participate in the competition with its scientific management skill in a good market environment. The policy of developing private vehicles and self developing truck will promote the automobile market to maintain quick development trend in the future, and will also help the JMC's products consolidate the existing market advantages and speed up the increase in market share. JMC will insist on the technologic innovation strategy, develop new market-oriented products, and improve product quality to ensure the advantageous position of JMC in the competition of the light automobile industry.

8. 2002 Business Plan

Business Plan: sale volume 46,650 units, turnover RMB 4.22 billion.

Main measures:

(1). To insist upon the 10-word principle, endeavor to expand the market, set up the service system based on the dealers, improve the service network layout, strengthen the establishment and functions of the service center, fully implement the project of 'Service 2000' to ensure the continuous increase in sales; and

(2). To continue push forward the reform in labor, employment and distribution systems, seek flexible employment methods, and improve the talent incentive system;

(3). To simplify and incorporate ISO9001, ISO14001 with QS9000, continue to improve the quality in respect of the combination of auxiliary system and the optimization of the quality control means, etc.; to set the customer satisfaction as the standard for measuring work performance, implement quality veto system and remove quality problems;

(4). To make more efforts to develop new popular products of three brands, and improve the response speed to the market; and

(5). To continue to implement overall cost management and reduce costs.

9. Year 2001 Profit Distribution Plan and Year 2002 Profit Distribution Policy

(1) Year 2001 profit distribution plan

The audited operating result of JMC in 2001 was RMB 100,848 thousand per Chinese accounting standards or RMB 142,395 thousand per international accounting standards. The profits of the year 2001 will be used to cover losses of previous years. The proposal is subject to the approval of Shareholders' Meeting.

(2) Year 2002 profit distribution policy

JMC estimates that the profit of year 2002 will also be used to cover the loss of previous years. In case of surplus, the surplus will temporarily not be distributed and will be carried over to forward years.

(3) JMC expects that there will be no conversion of capital reserve into share capital in 2002.

Section 2 Routine Work of the Board of Directors

1. Board Meetings and Resolutions in 2001

The Board of Directors of JMC approved in form of paper meeting *Year 2000 Incentive Bonus Program for JMC Management* on January 20, 2001.

The Board of Directors approved in form of paper meeting the following resolutions on April 1, 2001:
i. the proposal on accounting treatment for housing revolving fund.
ii. the proposal on establishing Audit Committee.

The Board of Directors approved in form of paper meeting the following resolutions on April 3, 2001:
i. JMC 2000 Annual Report and the Extracts from 2000 Annual Report.
ii. the year 2000 profit distribution plan and year 2001 profit distribution policy.
iii. the public announcement on holding JMC 2000 annual shareholders' meeting.

On April 9, 2001, the Board of Directors approved in form of paper meeting the application to Shenzhen Stock Exchange for rescinding the special treatment on JMC A and B share trading.

The 5th session of the third Board of Directors of JMC was held in the conference center on the second floor of JMC administrative building on June 1, 2001. The following resolutions were passed at the meeting:
i. approved JMC 5-year Business Plan in principle.
ii. approved the adjustment to EFI gas engine program.
iii. approved the year 2000 bonus for the president and some other senior management.
iv. approved the delegation of authority.
v. approved the appointment of Eric Hoile as a vice president of JMC.
vi. approved the changes to Executive Committee. The new Executive Committee is composed of Mr. Zou Xing, Mr. Gordon L. Spaulding, Mr. Lu Shuifang, Ms. Xiong Chunying and Mr. Eric Hoile.
vii. Approved the transfer of JMC's equity in Jiangling Import & Export Co. to JMCG.

The Board of Directors approved in form of paper meeting the report on accrual of provisions for program in progress and fixed asset devaluation on July 16, 2001.

The Board of Directors approved the following resolutions in form of paper meeting on August 17, 2001:
i. JMC 2001 Interim Report and Extracts from 2001 Interim Report.
ii. the proposal that the 2001 mid-year profit would be used to cover the loss of previous years, and that JMC would not convert capital reserve into share capital at mid-year 2001.

On November 7, 2001, the Board of Directors approved in form of paper meeting the proposal on providing Jiangling Tractor Co., Ltd. with casting products.

On November 14, 2001, the Board of Directors approved in form of paper meeting the die & checking tool project needed by J116 light truck modification and the related lease arrangement.

The Board of Directors approved in form of paper meeting the Dealer Credit Presentation on November 16, 2001.

On December 5, 2001, the Board of Directors approved in form of paper meeting the following resolution: To grant CFO Manto Wong full authority to handle JMC's loan financing. The duration of this authorization is from December 20, 2001 to December 19, 2002.

The 6th session of the third Board of Directors was held in the conference center on the second floor of the JMC administrative building on December 13, 2001. The following resolutions were passed at the meeting:
i. approved the 2001 budget.
ii. approved eight accounting provisions & write-off internal control policy.
iii. approved year 2001 additional provisions of RMB 52.5 million and write-off of RMB 26.3 million.
iv. approved to change A-share auditor. Replace Zhong Tian Qin with PwC as JMC's year 2001 A-share auditor. This matter will be submitted to JMC 2001 Annual Shareholders' Meeting for approval.
v. agreed to add RMB 17.33 million to EFI Gasoline Engine Project, and add RMB 3.5 million to the project of equipping Transit with 4GF1 gasoline engine.
vi. approved the program of diesel Transit meeting Euro II.
vii. approved the MP&L engine warehouse program.
viii. approved the southern-area boiler house program.
ix. approved the independent director system matter.
x. approved the matter concerning the re-organization of the board of directors of Jiangling-ISUZU Motors Company Ltd., a subsidiary of JMC.
xi. approved discussion on the delegation of authority issue.

2. Board of Directors' Executing the Resolutions of the Shareholders' Meeting
(1). JMC has made corresponding accounting adjustments per the resolution on financial treatment for housing revolving fund passed at the JMC 2000 Annual Shareholders' Meeting.
(2). JMC did not distribute profit or convert capital reserve into share capital in 2001 per the relevant resolution of the 2000 Annual Shareholders' Meeting.

3. Others
JMC continues to designate China Securities, Securities Times and Hong Kong Commercial Daily as the newspapers for information disclosure.

Chapter VIII Report of the Supervisory Committee

I. Work of the Supervisory Committee
Pursuant to the relevant regulations in the Company Law, Securities Law and JMC Articles of Association as well as the spirit of being responsible to the shareholders, the Supervisory Committee seriously fulfilled its duties stipulated by the laws and regulations and energetically worked to perform its functions fully. The Chief Supervisor attended all the board meetings as a non-voting attendee, and all the supervisors attended the annual shareholders' meeting. The committee held 3 meetings during the report period. The following is the information in regard to the

meetings and the subjects at the meetings:

1. The 3rd session of the third Supervisory Committee held in JMC administrative building on Mar. 28 2001 reviewed and passed the following proposals:

(1) reviewed and passed the 2000 annual work report of the Supervisory Committee; and

(2) reviewed and passed 2000 annual report of JMC and the extracts from the annual report.

2. The 4th session of the third Supervisory Committee, held in the JMC administrative building on Aug. 16, 2001, reviewed and passed the following resolutions:

(1) reviewed and passed the 2001 interim report of JMC and the extracts from the interim report;

(2) reviewed and passed the JMC mid-year 2001 profit distribution plan; and

(3) reviewed and passed the proposal on asset devaluation provisions and related retroactive adjustments.

3. The committee held the 5th session in the JMC administrative building on Nov. 16, 2001. At this meeting, the committee discussed the issued concerning three aspects in JMC's recent management and operation, and made resolutions on: (1) management compensation issue; (2) audit committee and internal audit department issue; (3) delegation of authority issue. The committee wrote to the Board of Directors for discussion, and reported to CSRC Nanchang Office.

II. Supervisory Committee's independent opinion on the following matters during the report period:

1. JMC's operation in conformity with laws

JMC operates in conformity with the laws and regulations, such as Company Law, Securities Law and the Articles of Association. The decision-making procedure was standardized and legal, and a comparative perfect internal control system was established. No behaviors violating laws, regulations and the Articles of Association or harming JMC's interest by the Directors, President and other senior management in carrying out their duties were found.

2. JMC's financial status

PwC Zhong Tian and Ernst & Young audited JMC's 2001 financial statements and issued unqualified audit reports. We believe the reports reflect JMC's financial status, operating results and asset change objectively and truly.

3. In 2001, JMC's procedure for asset sale was legal and the prices were reasonable. There were no insider trading and deals or situations harmful to shareholders' interest or where a leak of JMC's assets was detected.

4. JMC's related transactions: the imported component purchasing applied negotiated arm-length prices. The pricing for localized components was determined through the process of suppliers quote, costing assessment and negotiation between both sides. The prices were adjusted periodically, were fair and reasonable. The amount of the related transactions for imported components will greatly decrease with the increase in Transit localization.

Chapter IX Major Events

1. JMC had no major litigation or arbitration in 2001.

2. Purchase or Sale of Assets

See (2) in Article 3—Major Related Transactions.

3. Major Related Transactions

(1) Related party transactions for purchase of commodities and services

A. JMC purchased certain raw materials, auxiliary materials and components from related parties. The ones with annual value over RMB 30 million are listed as follows:

Transaction parties	Amount (RMB '000)	Ratio to the transactions of the same kind
JMCG	236,155	8.96%
Ford	105,203	3.99%
Nanchange Gear Co., Ltd.	95,670	3.63%
Jiangling-Lear Interior Trim Factory	87,653	3.33%
Jiangxi FuChang Climate System Co.	73,929	2.81%
JMCG Interior Trim Factory	72,612	2.76%
JMCG Variant Vehicle Factory	64,164	2.43%
JMCG Industrial Co.	41,866	1.59%

Settlement: Letter of Credit method for Ford and its designated suppliers; prepayment or cash method for other related parties.

Pricing principle: Ford and its designated suppliers applied the negotiated arm-length pricing; the pricing for localized components from related parties were determined through the process of suppliers quote, costing assessment and negotiation between both sides. The prices were adjusted periodically.

Necessity and continuity: the purchase of the imported components will immediately stop when the respective localization is achieved, and these components will be substituted by localized ones; some components from other related parties were unique parts for JMC's Transit series, N series and T series, and other general components were purchased through bid.

B. The sales of products by JMC to related parties with annual value over RMB 30 million:

Transaction parties	Amount (RMB '000)	Ratio to the transactions of the same kind
Jiangxi Jiangling Auto Sales Co.	173,419	5.13%
Jiangling Motors Group Guangzhou Co.	167,313	4.95%
Beijing Jiangling Economy & Trade Co.	131,211	3.88%
JMCG Northwest Co.	73,518	2.18%
Shanghai Jiangling Auto Sales Co., Ltd.	66,317	1.96%
Jiangling Motors Sales Co. Shandong Branch	44,925	1.33%
Henan Jiangling Auto Sales Co., Ltd.	42,452	1.26%

Settlement: cash sales or credit sales within credit limit.

Pricing principle: the same prices as other dealers.

Necessity and continuity: above related parties all are JMC's dedicated dealers. JMC will continue to use its sales network to sell products. The above dealers are subsidiaries or affiliates of JMCG, a shareholder of JMC. Jiangling Motors Group Guangzhou Co., JMCG Northwest Co., Shanghai Jiangling Auto Sales Co., Ltd., Jiangling Motors Sales Co. Shandong Branch and Henan Jiangling Auto Sales Co., Ltd. were transferred to other entities or persons on December 15, November 19, December 8, November 29 and November 9 2002 respectively. They are not JMC's related enterprises any longer.

C. Management Compensations
In 2001, JMC paid a total of US$ 2 million, including expenses such as salary and insurance, to the Ford-seconded personnel working in JMC in line with the Personnel Agreement and Supplemental Contract to the Personnel Agreement signed by JMC and Ford.

D. General Service
JMCG bears the middle school and primary school educational fees and retired employees expenses of JMC and its subsidiaries, and provides services such as security, fire control, road maintenance and cable television. In 2001, RMB 14.7 million of the above-mentioned costs was shared by JMC and its subsidiaries in the agreed percentage based on headcount ratio.

E. Purchasing Agency
Jiangling Import & Export Co., Ltd. was the import agent of JMC for acquiring import materials with a fixed commission rate. In 2001, JMC paid Jiangling Import & Export Co., Ltd. commission totaling RMB 2.95 million.

(2) Related party transaction resulting from transfer of assets or stake in 2001.
On June 1, 2001, JMC concluded an agreement on transferring share of equity to JMCG. JMC transferred its share (40%) of owners' equity in Jiangling Import & Export Co., Ltd. to JMCG at the price of RMB 4.842 million, which amounted to 40% of 2000 year-end account value of the owners' equity of Jiangling Import & Export Co., Ltd. per the audit report by Jiangxi Puhui Certified Accountants, plus the interest on this amount for the period from January 1 2001 to actual payment date. At the same time, JMC transferred its share in the closed Jiangling Motors Group Import & Export Co., the predecessor of Jiangling Import & Export Co., Ltd., to JMCG at the price of RMB 422 thousand, which amounted to 40% of the undistributed residual equity of Jiangling Motors Group Import & Export Co. per the audit report dated May 24 2001 by Jiangxi Puhui Certified Accountants, plus the interest on this amount for the period from January 1 2001 to actual payment date. JMCG paid the transfer sums to JMC in July 2001.

(3) Creditor's rights, liabilities and guarantees between JMC and related parties.
A. Balance of accounts due to or due from main related parties with value over RMB 30 million:

Item	Related parties	Amount (RMB '000)	Ratio to the balance of the item
Other receivables	JMCG	39,155	32.22%
Prepayment	Nanchang Gear Co., Ltd.	43,535	56.14%

Note: a. The balance of JMC's other receivables due from JMCG was RMB 77,005 thousand at year-end 2001. JMCG repaid RMB 37,850 thousand in 2001.
b. Nanchang Gear Co., Ltd. is an affiliated enterprise of JMCG, which holds 15.63% share in the company.
c. The balance in JMC's prepayment to Nanchang Gear Co., Ltd. at year end 2001 was mainly the balance after goods amount offsetting RMB 50 million trusted loan. Pursuant to the repayment agreement between the two parties, the prepayment balance

will be offset by 30% of the goods amount due to Nanchang Gear Co., Ltd. It is expected that all the balance will be offset up by 2004.

B. Deposit
At the end of year 2001, JMC had deposit of RMB 98,913 thousand in JMCG Finance Co. Ltd. and charged interest at 2.16% (simultaneous bank deposit interest rate). JMC received a total of RMB 3,531 thousand in interest in 2001.

C. Loan
JMC borrowed 3-year loan of US$ 2,500,000 (equal to RMB 20,695 thousand) at interest rate of 6.25% from JMCG Finance Co. Ltd. on June 22, 2001, and paid interest of RMB 1,293 thousand.
Jiangling-Isuzu Motors Company, Ltd. lent RMB 257000 thousand to JMCG in 2001. There was no balance of this loan by year-end 2001.

D. Guarantee
JMCG provided guarantee for JMC's bank loans of US$ 22,542 thousand and RMB 1,128,370 thousand, which totaled RMB 1,314,937 thousand. The year 2001 guarantee fee was RMB 11,009 thousand.

(4) Other major related party transactions in 2000
A. JMC charged rent on the buildings rented by JMCG and the rental income in 2001 was RMB 2,069 thousand. JMC rented houses from JMCG, and paid rent of RMB 614 thousand in 2001.
B. According to the Joint Development Agreement and the 2nd Amendment Contract to the Joint Development Agreement signed by JMC and Ford, JMC is to pay technology development fee totaling US$ 40 million to Ford. JMC bore the technology development fee of US$ 2,724 thousand (equal to RMB 22,547 thousand) in year 2001 at 1.8% of Transit sales revenue.

4. Major Contract and the Execution
(1) There were neither trust, contract or lease of assets from other companies, nor trust, contract or lease of JMC's assets to other companies in the report period.
(2) JMC had no outside guarantee in the report period.
(3) JMC did not entrust other people with cash asset management in the report period.

5. Neither JMC nor the shareholders holding 5% or above shares disclosed commitments on the designated newspapers or website in year 2001.

6. Appointment or Dismissal of Accountant Firms
Because Zhong Tianqin, the former A-share auditor of JMC, was involved in a legal regulation violation incident, the Board of Directors decided to replace Zhong Tianqin with PwC Zhong Tian as 2001 A-share auditor, and will submit the matter to JMC 2001 annual shareholders' meeting for review and approval.
The compensation paid to the accountant firms:

Accountant Firm	**Year 2001**	**Year 2000**	**Bearing Method for Travel, etc.**
Zhong Tianqin		RMB 500 thou	Calculated separately, born by JMC
PwC ZhongTian	RMB 500 thou		Calculated separately, born by JMC
Ernst & Young	HK$ 1.1 mil.	HK$ 1.2 mil.	Contained in audit fee

7. In 2001, neither JMC nor its Directors or senior management were punished by regulatory authorities.

8. Other Major Events

1. JMC used the relevant items in shareholders' equity to offset the debit balance of the housing revolving fund in line with some regulations. The relevant public announcement was placed in China Securities, Securities Times and Hong Kong Commercial Daily on April 5, 2001.

2. Shenzhen Stock Exchange agreed to rescind the special treatment on JMC share trading, and JMC placed a relevant public announcement in China Securities, Securities Times and Hong Kong Commercial Daily on April 11, 2001.

3. A trustor of DBS SECURITIES NOMINEES (HK) LTD. sold its JMC B shares, thus JMC placed a related public announcement in China Securities, Securities Times and Hong Kong Commercial Daily on April 18, 2001.

4. The public announcement on changing A-share auditor was place in the China Securities, Securities Times and Hong Kong Commercial Daily on December 18, 2001.

5. Year 2002 is the first year after China entered WTO, and is the year in which there will be the largest concessions for automobile import tariffs in the 5-year transitional period. The imported automobiles are estimated to impose impact on the domestically produced automobiles to a certain extent.

Several years ago, JMC made comprehensive analysis on the keen competition after the entrance to WTO, and began market-oriented adjustments for operation strategy in middle 1990s. JMC concentrated on new product development and technologic innovation, applied modern marketing concept to set up new marketing system, formed globalized operation ideas and management structure comparatively earlier, used the strict quality guarantee system to ensure the high quality level for the products, applied the information technology to promote the technologic innovation, production & management modernization, and greatly reduced the product & operation costs. Last year, JMC brought forward the principle of 'high quality, multi-model product, medium pricing and excellent services' and realized initial success.

6. JMC gained foreign-invested enterprise qualification in 1997, and enjoyed the income tax preference of '2-year exemption, 3-year reduction' from 1997 to 2001. JMC was approved as a 'advanced technological enterprise' by Jiangxi foreign trade & economic cooperation department in 1999, so JMC applied to Foreign Bureau of Nanchang State Tax Bureau for 3-year extension of half income tax treatment in accordance with some relevant regulations, and the application was approved according to the Document Hong Guo Shui Wai Fa (2001) 086 from the Foreign Bureau of Nanchang State Bureau. JMC will pay half income tax, that is to say, the income tax rate for JMC is 12% from 2002 to 2004.

Jiangling-Isuzu Motors Company, Ltd., a subsidiary controlled by JMC, enjoys the tax preference policy for Middle & Western Areas, and pays enterprise income tax at 15% rate during the three years from 2001 to 2003, in accordance with the state's tax preference policy for Middle and Western Areas, Document Gan Guo Shui Han (2001) 478 from Jiangxi State Tax Bureau as well as Document Hong Guo Shui Wai Fa (2002) 010 from the Foreign Bureau of Nanchang State Tax Bureau.

Chapter X Financial Report

Audited Financial Statements

Jiangling Motors Corporation, Ltd.

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

31 December 2001

ERNST & YOUNG

HONG KONG

Contents

Report of the auditors

To the members
Jiangling Motors Corporation, Ltd.
(Established in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Jiangling Motors Corporation, Ltd. (the "Company") and its subsidiaries (the "Group") as at 31 December 2001 and the related consolidated income statement and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Hong Kong
5 April 2002

Jiangling Motors Corporation, Ltd.
Consolidated Income Statement
Year Ended 31 December 2001

	Notes	2001 Rmb'000	2000 Rmb'000
Turnover	3	3,472,792	2,774,658
Cost of sales		(2,723,277)	(2,165,654)
Gross profit		749,515	609,004
Selling and distribution costs		(221,270)	(179,915)
Administrative costs		(198,014)	(211,012)
Other revenue	4	61,595	68,163
Other operating costs	5	(128,363)	(47,263)
Profit from operating activities		263,463	238,977
Finance costs		(99,988)	(135,686)
Share of profits less losses of associates		(1,775)	511
Profit before taxes and minority interests	6	161,700	103,802
Income tax expense	7	(4,763)	(3,486)
Profit after taxes before minority interests		156,937	100,316
Minority interests, net of taxes		(14,542)	(6,027)
Net profit for the year		142,395	94,289
Earnings per share	8	Rmb0.165	Rmb0.109

The only component of a statement of recognised gains and losses is the net profit for the year ended 31 December 2001. Accordingly, no separate statement of recognised gains and losses has been prepared.

The accounting policies and explanatory notes on pages 6 to 33 form an integral part of the financial statements.

Jiangling Motors Corporation, Ltd.
Consolidated Balance Sheet
31 December 2001

	Notes	2001 Rmb'000	2000 Rmb'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	9	2,047,454	2,198,045
Construction in progress	10	121,219	251,053
Interests in associates	11	9,444	17,453
Long term investments	12	6,434	6,864
Deferred staff costs	13	45,287	65,818
Intangible assets	14	49,943	100,909
Long-term prepayment	15	21,030	26,826
Long term receivables	16	34,588	61,243
		2,335,399	2,728,211
Current assets			
Cash and bank balances		510,452	432,962
Deposits with a related financial institution	17	98,913	327,807
Accounts and notes receivable	18	197,436	68,112
Inventories	19	450,888	617,735
Prepayments and other receivables	20	80,363	85,244
Due from other related companies	21	39,493	11,218
Due from Jiangling Motors Corporation Group	22	39,155	30,000
		1,416,700	1,573,078
Total assets		3,752,099	4,301,289

The accounting policies and explanatory notes on pages 6 to 33 form an integral part of the financial statements.

Jiangling Motors Corporation, Ltd.
Consolidated Balance Sheet (continued)
31 December 2001

	Notes	2001 Rmb'000	2000 Rmb'000 (Restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	23	863,214	863,214
Reserves	24	790,909	648,514
Total equity		1,654,123	1,511,728
Minority interests		69,523	54,981
Non-current liabilities			
Bank loans	25	710,110	1,164,301
Loan from a related financial institution	17	20,692	20,695
		730,802	1,184,996
Current liabilities			
Bank loans	25	584,136	771,120
Accounts and bills payable		335,505	314,165
Receipts in advance		47,503	46,233
Accruals and other payables		224,506	223,257
Accrued staff welfare and benefits		29,326	74,581
Due to other related companies	26	48,448	81,792
Due to a minority shareholder of the Company	27	21,208	31,567
Due to a minority shareholder of a subsidiary	28	4,894	3,822
Dividends payable to minority shareholders of a subsidiary		-	2,804
Income tax payable		2,125	243
		1,297,651	1,549,584
Total equity and liabilities		3,752,099	4,301,289

Director

Director

The accounting policies and explanatory notes on pages 6 to 33 form an integral part of the financial statements.

Jiangling Motors Corporation, Ltd.
Consolidated Cash Flow Statement
Year Ended 31 December 2001

	Notes	2001 Rmb'000	2000 Rmb'000
Net cash inflow from operating activities	32(a)	545,013	705,390
Cash flows from investing activities			
Purchases of property, plant and equipment and additions to construction in progress		(80,971)	(204,589)
Proceeds on disposal of property, plant and equipment and construction in progress		2,863	13,077
Proceeds on disposal of leased properties		2,886	-
Additions to deferred staff costs		-	(20,881)
Additions to intangible assets		-	(2,511)
Proceeds from disposal of long term investments		430	501
Proceeds from disposal of interest in an associate		5,411	-
Decrease in amounts due from associates		3,267	99,062
Interest income		13,679	11,664
Time deposits placed with a related financial institution		(1,061)	(140,500)
Withdrawal of time deposits placed with a related financial institution		140,500	-
Net cash utilised in investing activities		87,004	(244,177)
Net cash inflow before financing activities		632,017	461,213
Cash flows from financing activities			
Dividends paid to minority shareholders of a subsidiary		(2,804)	(5,937)
Proceeds from new bank loans	32(b)	646,155	2,071,937
Loan from a related financial institution	32(b)	-	20,695
Repayment of bank loans	32(b)	(1,287,325)	(2,347,495)
Net cash utilised in financing activities		(643,974)	(260,800)
(Decrease)/increase in cash and cash equivalents		(11,957)	200,413
Exchange realignment		(8)	-
Cash and cash equivalents at beginning of year		620,269	419,856
Cash and cash equivalents at end of year		608,304	620,269
Analysis of balances of cash and cash equivalents			
Cash and bank balances		510,452	432,962
Cash deposits with a related financial institution		97,852	187,307
		608,304	620,269

The accounting policies and explanatory notes on pages 6 to 33 form an integral part of the financial statements.

1. Corporate information

Jiangling Motors Corporation, Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 28 November 1993 as a joint stock limited company to hold certain operational assets and liabilities of the automotive manufacturing business of Jiangxi Motors Manufacturing Factory of Jiangling Motors Corporation Group ("JMCG"). On the same date, JMCG became the major shareholder of the Company.

Pursuant to an approval document issued by the Ministry of Foreign Trade and Economic Co-operation of the PRC on 1 November 1996, the Company was transformed from a joint stock limited company to a foreign investment joint stock limited company. The registered office of the Company is located at 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture, assembly, and sale of automobiles, related spare parts and components in the PRC.

As at 31 December 2001, the Group had 5,802 employees (2000: 6,099 employees).

2. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC") and interpretations issued by the Standing Interpretations Committee of the IASC. The consolidated financial statements have been prepared on a historical cost basis.

The Company maintains its books and prepares its statutory financial statements in accordance with the relevant accounting principles and financial regulations applicable to joint stock limited companies established by the Ministry of Finance of the PRC. The subsidiaries maintain their books and prepare their financial statements in accordance with the relevant accounting regulations applicable to Sino-foreign joint venture enterprises established in the PRC. The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain material respects from IAS. The material differences arising from restating the results of operations and the financial position to comply with IAS have been adjusted in these financial statements, but will not be recorded in the accounting records of the Company and its subsidiaries. The major adjustments made to conform with IAS include the following:

(a) Adjustments in connection with the adoption of IAS 38 “Intangible Assets”; and
(b) Amortisation of deferred staff costs.

The net impact of these IAS adjustments is summarised in note 31 to the financial statements.

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2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

The accounting policies have been consistently applied by the Group and, except for the changes in accounting policies due to the following recently-issued IASs, being effective for the first time for the current year's financial statements, are consistent with those used in the previous year.

IAS39 " Financial Instruments: Recognition and Measurement"
IAS40 " Investment Property"

These IASs prescribe new accounting measurement and disclosure practices. The major effects of adopting these IASs on the Group's accounting policies on investment securities and investment property, and on the amounts disclosed in these financial statements, are summarised in the respective accounting policies below.

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group have been eliminated in the preparation of the consolidated financial statements.

Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. The joint venture agreement stipulates the composition of the joint venture parties' capital contributions, the duration of the joint venture, and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the joint venture parties in proportion to their respective capital contributions.

A joint venture is treated as a subsidiary if, under the joint venture contract, the Group holds more than half of the joint venture company's registered capital and the Group can control the composition of the board of directors or exercise unilateral influence over the joint venture.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which the Group is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2. Summary of significant accounting policies (continued)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment

Property, plant and equipment are stated at cost or, in the case of assets injected into the Group at the time of its reorganisation, at valuation less accumulated depreciation representing the deemed cost to the Group, less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the tangible asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided using the straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

Land use rights	2% or over the terms of the leases
Buildings	2% to 18%
Plant and machinery	5.3% to 9%
Motor vehicles	5% to 20%
Furniture, fixtures and equipment	5% to 20%
Moulds	20%

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The gain or loss on disposal of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress

Construction in progress comprises factories, office buildings, plant and machinery under construction including the related furniture, fixtures and equipment, is stated at cost less any impairment losses, and is not depreciated. The cost of construction also includes interest expense on related borrowings during the period of construction, installation and testing. Construction in progress is transferred to property, plant and equipment when it is ready for its intended use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. These properties are not occupied substantially for use by or in the operations of the Group. Such properties are stated at cost and are depreciated over the lease terms.

As IAS 40 "Investment Property" became effective on 1 January 2001, leasehold properties held for investment purposes to earn rentals, which were previously classified as investment properties, are now accounted for as a prepayment for operating leases under IAS 17 "Leases". Accordingly, a prior year adjustment had been made to reclassify the leasehold properties at the carrying value of Rmb26,826,000 as at 31 December 2000 previously grouped under "Property, plant and equipment" to "Long term prepayments". As such prepayment is to be amortised over the lease term, there is no impact to the prior year and current year consolidated income statement as a result of this change in accounting policy.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present value as appropriate.

2. Summary of significant accounting policies (continued)

Long-term securities

The Group has adopted IAS39, "Financial Instruments: Recognition and Measurement", for the first time in preparing the current year's financial statements.

The Group's investment securities comprise an "available-for-sale" investment and certain "held-to-maturity" investments. Both types of securities are held for the long term and are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment securities.

After initial recognition, such investments are measured at fair value and unrealised gains and losses are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investment actively traded in recognised financial markets, fair value is generally determined by reference to stock exchange quoted market prices at the close of business on the balance sheet date. For an investment in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, the instrument would be measured at cost, subject to review of impairment. For an investment that has a fixed maturity, the instrument would be measured at cost using the effective interest rate method, subject to review of impairment.

In prior years, before the adoption of IAS39, investments held on a long-term basis were stated at cost less provisions for any diminutions in values other than those considered temporary in nature deemed necessary by the directors. The adoption of IAS39 has no effect on the net carrying amount of long-term securities in the balance sheet and on amounts previously reported in prior year financial statements.

Deferred staff costs

Deferred staff costs represent expenses charged by JMCG, being the excess of the construction cost of the staff quarters over the proceeds received from staff upon their purchases of the quarters from JMCG. The ownership of the staff quarters may only be transferred or disposed of by the staff after a period of eight years from the date of purchase. The deferred staff costs are amortised at a rate of 25% of the total annual wages.

Intangible assets

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as assets to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are currently being amortised on a straight-line basis over their useful lives, not exceeding a period of five years.

2. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of work in progress and finished goods comprises direct materials, direct labour and an attributable proportion of production overheads. Net realisable value is determined on the basis of estimated net selling prices less further costs expected to be incurred to completion and disposal.

Foreign currency transactions

The Group's financial records are maintained and the financial statements are stated in Renminbi ("Rmb").

Foreign currency transactions are recorded at the approximate rates of exchange ruling quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the approximate rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Tax

PRC income tax is provided at the rates applicable to enterprises in the PRC on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax legislation, practices and interpretations thereof.

Deferred tax is provided, using the liability method, for all temporary differences between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Retirement benefits scheme

Retirement benefits in the form of contributions under defined contribution retirement plans to registered insurance companies are charged to the income statement as incurred.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(d) dividend and investment income, when the shareholders' right to receive payment has been established.

Value-added tax ("VAT") refund

Prior to the implementation of the new VAT system on 1 January 1994, Foreign Investment Enterprises ("FIEs") were subject to Consolidated Industrial and Commercial Tax ("CICT"). The CICT rates were generally 5% to 10%, which are lower than the VAT rate. To alleviate additional tax burdens on FIEs, the PRC Government announced a transitional concession from January 1994 to December 1998 for VAT levied on imported raw materials, the amount of import level VAT paid by a FIE in excess of the notional CICT cannot be claimed back unless the FIE is engaged in the manufacturing of products which are encouraged by the State, and the relevant raw materials are not available in the PRC and, therefore, must be imported. Any claim for a refund in respect of the import level VAT in excess of the notional CICT is subject to approval by the State Tax Bureau on a case-by-case basis.

Before 1994, Jiangling-Isuzu Motors Company Limited ("JIMCL"), which is a subsidiary of the Group and is a FIE, was subject to the assessment of CICT at the rate of 5.05% on the invoiced value of sales of its products and services rendered. In addition, the manufacture of JIMCL's products is encouraged by the State. With the implementation of the new VAT system on 1 January 1994, JIMCL is entitled to the refund of the excess VAT paid over the notional CICT under the above conditions.

As the receipt of the VAT refund is subject to the discretionary approval of the relevant tax authority, the VAT refund is accounted for on a cash receipt basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised.

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. Turnover

The Group principally derives its turnover from the manufacture, assembly and sale of automobiles, related spare parts and components. Turnover represents the total invoiced value of goods supplied to customers, net of returns and allowances, and after deducting various types of revenue taxes amounting to Rmb46,241,000 (2000: Rmb43,469,000), calculated in accordance with the relevant PRC tax rules and regulations.

4. Other revenue

	2001 Rmb'000	2000 Rmb'000
Interest income	13,679	11,664
Forfeiture of other payables	3,141	-
Profit from disposal of an associate	2,444	-
Rental income	2,069	3,710
Refund of excess VAT paid over notional CICT in respect of imported raw materials	-	20,000
Sales of scraps	3,978	-
Write-back of bad and doubtful debts in respect of:		
- Accounts receivable	18,084	20,721
- Prepayments and other receivables	1,277	12,068
Write-back for inventory obsolescence	6,816	-
Write-back of accruals in respect of deferred development costs	10,107	-
	61,595	68,163

5. Other operating costs

	2001 Rmb'000	2000 Rmb'000
Donations	143	1,527
Loss on disposal of property, plant and equipment and construction in progress	1,296	1,591
Loss on disposal of investment properties	1,387	-
Provision for inventory obsolescence	-	5,307
Provision for impairment loss in respect of:		
- Property, plant and equipment	36,288	1,154
- Construction in progress	39,847	-
Research and development expenses	49,402	37,684
	128,363	47,263

6. Profit before taxes and minority interests

Profit before taxes and minority interests is arrived at after charging/(crediting) the following:

	2001 Rmb'000	2000 Rmb'000 (Restated)
Amortisation of deferred staff costs	20,531	23,607
Amortisation of intangible assets	44,228	48,145
Amortisation of prepayments for investment properties under operating leases	1,523	873
Depreciation of property, plant and equipment	281,102	262,514
Foreign exchange losses, net	395	4
Interest expense	99,449	133,419
Less: Interest expense capitalised in construction in progress	-	(2,184)
Net interest expense	99,449	131,235
Loss on disposal of property, plant and equipment and construction in progress	1,296	1,591
Loss on disposal of investment properties	1,387	-
Provision for impairment loss in respect of:		
- Property, plant and equipment	36,288	1,154
- Construction in progress	39,847	-
Retirement scheme contributions - note 36	24,702	26,674
Royalty fee expenses	22,547	10,777
Research and development expenses	49,402	37,684
Staff costs	131,963	149,673
Write-back of accruals in respect of deferred development costs	(10,107)	-
Write-back of bad and doubtful debts in respect of:		
- Accounts receivable	(18,084)	(20,721)
- Prepayment and other receivables	(1,277)	(12,068)
	(19,361)	(32,789)
(Write-back)/provision for inventory obsolescence	(6,816)	5,307

7. Income tax expense

	2001 Rmb'000	2000 Rmb'000
Group	4,763	3,199
Associates	-	287
	4,763	3,486

7. Income tax expense (continued)

In accordance with an approval document issued by the Nanchang Tax Bureau on 25 February 1998, the Company was exempted from income tax for two years starting from its first profitable year, i.e., 1997, followed by a 50% reduction for the next three years. The standard income tax rate for the Company is 12% (2000: 12%).

JIMCL is entitled to certain tax holiday benefits as stipulated by the relevant tax rules and regulations and, accordingly, is assessed at 15% (2000: 12%) on its profits, determined in accordance with the tax rules applicable to PRC joint venture companies.

A reconciliation of the expected tax expenses with the actual tax expense is presented below:

	2001 Rmb'000	2000 Rmb'000
Accounting profit in the accompanying consolidated income statement	161,700	103,802
Non-deductible expenses and expenses not yet approved as deductible	17,169	28,059
Unapproved tax profits brought forward	131,861	-
	310,730	131,861
Approved tax losses brought forward	(310,718)	(310,718)
Unapproved tax profits/(losses) carried forward	12	(178,857)
Applicable tax rate	12%	12%
Tax at the effective tax rate of 12%	1	-
Effect of different tax rates for certain associates and a consolidated subsidiary	4,762	3,486
Current tax expense	4,763	3,486

No provision for deferred tax has been made because the Group had no significant temporary differences at the balance sheet date (2000: Nil).

8. Earnings per share

The calculation of earnings per share is based on the net profit for the year of Rmb142,395,000 (2000: Rmb94,289,000) and the weighted average of shares 863,214,000 shares (2000: 863,214,000 shares) in issue during the year.

9. Property, plant and equipment

	Investment properties Rmb'000	Land use rights Rmb'000	Buildings Rmb'000	Plant and machinery Rmb'000	Motor vehicles Rmb'000	Furniture, fixtures and equipment Rmb'000	Moulds Rmb'000	Total Rmb'000
Cost or valuation:								
At 1 January 2001, as previously reported	33,854	210,062	584,081	1,326,199	43,891	427,107	521,856	3,147,050
Reclassified to accumulated depreciation and impairment	-	-	1,154	-	-	-	-	1,154
Reclassified to long term prepayments	(33,854)	-	-	-	-	-	-	(33,854)
At 1 January 2001, as restated	-	210,062	585,235	1,326,199	43,891	427,107	521,856	3,114,350
Additions	-	-	169	2,697	1,378	10,632	4,977	19,853
Transfer from construction in progress - note 10	-	-	3,855	12,335	2,382	129,660	-	148,232
Disposals	-	-	-	(1,518)	(277)	(936)	-	(2,731)
Write-offs	-	-	(1,154)	(12,067)	(1,903)	(13,079)	-	(28,203)
Reclassification adjustment	-	-	-	(59,211)	-	59,211	-	-
At 31 December 2001	-	210,062	588,105	1,268,435	45,471	612,595	526,833	3,251,501
At cost	-	180,733	577,935	1,262,722	45,009	610,953	526,833	3,204,185
At 1992 valuation	-	29,329	10,170	5,713	462	1,642	-	47,316
	-	210,062	588,105	1,268,435	45,471	612,595	526,833	3,251,501
Accumulated depreciation and impairment:								
At beginning of the year, as previously reported	7,028	20,072	54,131	438,085	27,436	189,113	186,314	922,179
Reclassified from cost	-	-	1,154	-	-	-	-	1,154
Reclassified to long term prepayments	(7,028)	-	-	-	-	-	-	(7,028)
At 1 January 2001, as restated	-	20,072	55,285	438,085	27,436	189,113	186,314	916,305
Depreciation provided for the year	-	6,855	14,490	114,628	4,613	60,289	80,227	281,102
Impairment during the year recognised in the income statement	-	-	419	13,194	564	6,265	15,846	36,288
Disposals	-	-	-	(855)	(151)	(439)	-	(1,445)
Write-offs	-	-	(1,154)	(12,067)	(1,903)	(13,079)	-	(28,203)
At 31 December 2001	-	26,927	69,040	552,985	30,559	242,149	282,387	1,204,047

9. Property, plant and equipment (continued)

	Investment properties Rmb'000	Land use rights Rmb'000	Buildings Rmb'000	Plant and machinery Rmb'000	Motor vehicles Rmb'000	fixtures and equipment Rmb'000	Moulds Rmb'000	Total Rmb'000
Net book value:								
At 31 December 2001	-	183,135	519,065	715,450	14,912	370,446	244,446	2,047,454
At 31 December 2000, as previously reported	26,826	189,990	529,950	888,114	16,455	237,994	335,542	2,224,871
Reclassification to long term prepayments	(26,826)	-	-	-	-	-	-	(26,826)
At 31 December 2000, as restated	-	189,990	529,950	888,114	16,455	237,994	335,542	2,198,045

In connection with the Group's reorganisation in 1993, the Group's property, plant and equipment were revalued on 31 December 1992 by Zhonghua (Shenzhen) Certified Public Accountants on a depreciated replacement value basis. The opening accumulated depreciation of the revalued assets was computed using depreciation rates as stipulated by the State regulations, which are generally consistent with those applied by the Group for the preparation of its financial statements. Since this was a special purpose valuation conducted for the purposes of the formation of a joint stock limited company, subsequent revaluations have not been performed and all further additions have been recorded at cost.

10. Construction in progress

	2001 Rmb'000	2000 Rmb'000
Balance at beginning of year	251,053	570,126
Additions	61,118	140,189
Interest capitalised	-	2,184
	312,171	712,499
Transfer to property, plant and equipment - note 9	(148,232)	(440,521)
Disposals	(2,873)	(925)
Construction in progress written off against provision	-	(20,000)
	161,066	251,053
Provision for impairment losses	(39,847)	-
Balance at end of year	121,219	251,053

Construction in progress comprises expenditure incurred on property, plant and equipment not yet commissioned.

11. Interests in associates

	2001 Rmb'000	2000 Rmb'000
Unlisted investments, at cost	7,287	11,287
Share of net post-acquisition profits less losses	(2,193)	(1,451)
Due from associates	4,350	7,617
	9,444	17,453

The amounts due from associates, which arose during the normal course of business, are unsecured, interest-free and have no fixed terms of repayment.

11. Interests in associates (continued)

Particulars of the associates are as follows:

Name	Date and place of establishment	Percentage of equity attributable to the Group	Principal activities
Jiangxi Fujiang After-Sales Service Co., Ltd. ("JFASC")	26 November 1997 PRC	20%	Provision of management and consultancy services
Jiangxi Jiangling Motors Import and Export Co., Ltd. ("JJMIEC")*	15 January 2000 PRC	40%	Import and export of automobile parts and components

* JJMIEC was disposed of on 1 June 2001.

In 2000, land use rights and buildings with an aggregate net book value of Rmb3,523,000 were transferred out from the Group's property, plant and equipment as capital contribution to JFASC. At 31 December 2001, the outstanding balance of the Group's share of capital contribution amounted to Rmb5,411,000 and was included in other payables.

12. Long term investments

	2001 Rmb'000	2000 Rmb'000
Unlisted investments, at cost:		
Interest in a joint venture	8,934	8,934
Government debenture	400	830
	9,334	9,764
Provisions for impairment losses	(2,900)	(2,900)
	6,434	6,864

In March 1996, the Company entered into a Sino-foreign equity joint venture agreement with Ford Motor (China) Ltd. ("Ford (China)") to form Jiangxi Fuchang Climate Systems Co., Ltd. ("Jiangxi Fuchang"). The tenure of Jiangxi Fuchang is for a period of thirty years, and its principal activities are the manufacture and sale of air-conditioners and spare parts for motor vehicles.

Jiangxi Fuchang has a registered capital of US$5.6 million, of which Ford (China) has an 80.85% interest and the Company has the remaining 19.15% interest. The registered capital of Jiangxi Fuchang was paid up by the Company in the form of buildings, land use rights and electricity usage rights totalling Rmb8,934,000, equivalent to approximately US$1,072,400, and was accounted for as an unlisted long term investment in the Group's consolidated balance sheet.

13. Deferred staff costs

	Rmb'000
Cost:	
At beginning of the year and at 31 December 2001	150,750
Amortisation:	
At beginning of the year	84,932
Provided for the year	20,531
At 31 December 2001	105,463
Net book value:	
At 31 December 2001	45,287
At 31 December 2000	65,818

14. Intangible assets

	Rmb'000
Cost:	
At beginning of the year	238,289
Write-offs for the year	(16,845)
At 31 December 2001	221,444
Amortisation:	
At beginning of the year	137,380
Provided for the year	44,228
Write-offs for the year	(10,107)
At 31 December 2001	171,501
Net book value:	
At 31 December 2001	49,943
At 31 December 2000	100,909

15. Long-term prepayments

	2001 Rmb'000	2000 Rmb'000
Prepayments for investment properties under operating leases	21,030	26,826
	21,030	26,826

16. Long term receivables

	Notes	2001 Rmb'000	2000 Rmb'000
Advance to a related company	21	34,588	13,976
Due from Jiangling Motors Corporation Group ("JMCG")	22	-	47,267
		34,588	61,243

17. Deposits with/loan from a related financial institution

	2001 Rmb'000	2000 Rmb'000
Cash deposits	97,852	187,307
Time deposits	1,061	140,500
Total	98,913	327,807
Loan repayable within two to five years	20,692	20,695

As at 31 December 2001, the Group had cash deposits placed with a related financial institution, Jiangling Motors Corporation Finance Co., Ltd. ("JMCF"), which is a subsidiary of JMCG of which Rmb1,057,000 (2000: Rmb2,064,000) was denominated in foreign currencies of US$68,000 (2000: US$68,000) and HK$463,000 (2000: HK$1,415,000), respectively. The cash deposits, which can be withdrawn at any time on demand, are interest-bearing at various rates ranging from 0.99% to 5.94% per annum (2000: 0.99% to 5.85% per annum).

The time deposits placed with JMCF bear interest at 2.5625% per annum and will mature on 26 January 2002.

The loan from JMCF was denominated in a foreign currency amounting to US$2,500,000 (2000: US$2,500,000), bore interest at 6.25%-7.4% per annum (2000: 7.4% per annum), repayable on 22 June 2003 and is guaranteed by JMCG.

18. Accounts and notes receivable

	2001 Rmb'000	2000 Rmb'000
Notes receivable	140,992	2,330
Accounts receivable from:		
- Related parties	-	3,989
- Third parties	110,920	134,353
Total accounts and bills receivable	251,912	140,672
Less: Provision for doubtful debts	(54,476)	(72,560)
	197,436	68,112

19. Inventories

	2001 Rmb'000	2000 Rmb'000
Raw materials	262,567	390,607
Work in progress	38,406	41,620
Finished goods	203,901	246,310
	504,874	678,537
Less: Provision for inventory obsolescence	(53,986)	(60,802)
	450,888	617,735

20. Prepayments and other receivables

	2001 Rmb'000	2000 Rmb'000
VAT recoverable	12,807	14,753
Prepayments and other receivables	81,338	85,550
	94,145	100,303
Less: Provision for doubtful debts	(13,782)	(15,059)
	80,363	85,244

VAT recoverable represents the input VAT recoverable of a subsidiary arising from the purchases of goods in excess of its output VAT payable on sales of goods.

21. Due from other related companies

	Note	2001 Rmb'000	2000 Rmb'000
Advance to Nanchang Gear Co., Ltd. ("NGCL")		58,672	17,601
Less: Portion reclassified as non-current assets	16	(34,588)	(13,976)
Portion classified as current assets		24,084	3,625
Due from other related companies		15,409	7,593
		39,493	11,218

The advance of Rmb58,672,000 (2000: Rmb17,601,000) to NGCL, a joint venture of JMCG, in respect of the purchase of parts and components, is unsecured and bears interest at 5.1% per annum (2000: Nil), and is to be offset against the purchase of the Group within a period of approximately 3 years. The amounts due from other related companies are unsecured, interest-free and repayable with the normal course of business.

22. Due from Jiangling Motors Corporation Group

	Note	2001 Rmb'000	2000 Rmb'000
Due from JMCG		39,155	77,267
Portion classified as a non-current asset	16	-	(47,267)
Portion classified as a current asset		39,155	30,000

The amount due from JMCG, which arose through the normal course of business, is unsecured and non-interest bearing (2000: Rmb37,916,000 bore interest at 5.85% per annum with the balance interest-free). The interest-bearing loan was repaid during the year. JMCG has agreed to repay the amount by 31 December 2002.

23. Share capital

	2001 Rmb'000	2000 Rmb'000
Registered, issued and fully paid:		
354,176,000 State-owned Shares of Rmb1.00 each	354,176	354,176
47,438,000 Legal Persons Shares of Rmb1.00 each	47,438	47,438
117,600,000 A Shares of Rmb1.00 each	117,600	117,600
344,000,000 B Shares of Rmb1.00 each	344,000	344,000
	863,214	863,214

24. Reserves

	Share premium Rmb'000	Capital reserve Rmb'000	Statutory surplus reserve Rmb'000	Enterprise expansion fund Rmb'000	Public welfare fund Rmb'000	Accumulated losses Rmb'000	Total Rmb'000
At 1 January 2000	817,088	4,210	110,811	6,256	41,798	(425,938)	554,225
Net profit for the year	-	-	-	-	-	94,289	94,289
Transfer to statutory reserves	-	-	1,106	495	-	(1,601)	-
At 31 December 2000	817,088	4,210	111,917	6,751	41,798	(333,250)	648,514
At 1 January 2001	817,088	4,210	111,917	6,751	41,798	(333,250)	648,514
Net profit for the year	-	-	-	-	-	142,395	142,395
Statutory reserves transferred out in accordance with a directive from the Ministry of Finance	-	-	(45,693)	-	(41,798)	87,491	-
Statutory reserves transferred out upon disposal of JJMIEC	-	-	(168)	-	-	168	-
At 31 December 2001	817,088	4,210	66,056	6,751	-	(103,196)	790,909
Reserves retained by:							
Company and subsidiaries	817,088	4,210	66,056	6,751	-	(101,003)	793,102
Associates	-	-	-	-	-	(2,193)	(2,193)
	817,088	4,210	66,056	6,751	-	(103,196)	790,909

24. Reserves (continued)

Capital reserve comprises mainly of a revaluation surplus of Rmb3,275,000, as a result of the revaluation of property, plant and equipment on 31 December 1992.

In accordance with the relevant PRC regulations and the Company's articles of association, the Company is required to allocate 10% of its profit after tax (after deducting losses brought forward), as determined in accordance with the PRC accounting standards and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the relevant PRC regulations and the Company's articles of association, the statutory surplus reserve may be distributed to shareholders in the form of scrip dividends. No allocation was made by the Company during the year because the Company had accumulated losses carried forward as at 31 December 2001.

In accordance with the Company Law of the PRC, the Company is also required to transfer 5% to 10% of its profit after tax (after deducting losses brought forward), as determined in accordance with the PRC accounting standards and regulations applicable to the Company, to a statutory public welfare fund ("PWF") which is a non-distributable reserve, other than in the event of the liquidation of the Company. PWF must be used for capital expenditure on staff welfare facilities and these facilities will remain the property of the Company. When the PWF is utilised, an amount equal to the lower of the cost of the assets and the balance of the PWF will be transferred from the PWF to the discretionary surplus reserve. On disposal of the relevant assets, the original transfers from the PWF are reversed. No transfer to PWF was made by the Company during the year because the Company had accumulated losses carried forward as at 31 December 2001.

According to the relevant laws and regulations for foreign investment enterprises incorporated under the law of the PRC on Joint Venture Using Chinese and Foreign Investment and the articles of association of JIMCL, the Group's subsidiary, profits of JIMCL, as stated in the statutory financial statements prepared in accordance with the accounting rules and regulations in the PRC, are available for distribution in the form of cash dividends to the joint venture partners after JIMCL (a) satisfies all tax liabilities; (b) provides for losses in previous years and (c) makes any required appropriations to the statutory reserve funds, including statutory surplus reserve, enterprise expansion fund and staff welfare and bonus fund. The staff welfare and bonus fund is recorded and reported as a current liability of JIMCL and can be utilised for making special bonus or collective welfare to the employees of JIMCL. The appropriation to the statutory reserve funds is at the discretion of the JIMCL's board of directors.

In accordance with the directive issued by the Ministry of Finance on 7 January 2001, when deferred staff costs are recognised as expenses in the income statement prepared in accordance with the PRC accounting principles and regulations, certain reserves in the sequence of public welfare fund and statutory surplus reserve should be transferred to the accumulated losses. In accordance with the Annual General Meeting's resolution on 1 June 2001, public welfare fund and statutory surplus reserve in the amount of Rmb41,798,000 and Rmb45,693,000, respectively, were transferred to the accumulated losses.

25. Bank loans

	2001	2000
	Rmb'000	Rmb'000
Guaranteed by JMCG	1,294,246	1,935,421
Repayable:		
Within one year	584,136	771,120
In the second year	633,000	640,188
In the third to fifth years, inclusive	56,000	513,000
Beyond five years	21,110	11,113
	1,294,246	1,935,421
Portion classified as current liabilities	(584,136)	(771,120)
Long term portion	710,110	1,164,301

The short term bank loans bear interest at rates ranging from 3.1% to 8.0% per annum (2000: 5.9% to 7.9% per annum). Among the short term bank loans, Rmb144,766,000 (2000: Rmb134,751,000) is denominated in foreign currencies amounting to US$17,491,000 (2000: US$15,842,000 and DM918,000).

The long term bank loans bear interest at rates ranging from 4.2% to 6.3% per annum (2000: 5.9% to 7.9% per annum). Included in the long term bank loans of Rmb21,110,000 (2000: Rmb185,801,000) are long term bank loans denominated in foreign currencies amounting to US$2,551,000 (2000: US$22,445,000).

26. Due to other related companies

The amounts due to other related companies, which arose from the normal course of business, are unsecured, interest-free and have no fixed terms of repayment.

27. Due to a minority shareholder of the Company

The amount due to a minority shareholder, Ford Motor Company, which arose from the normal course of business, is unsecured and interest-free.

28. Due to a minority shareholder of a subsidiary

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

29. Related party transactions

JMCG and Ford Motor Company ("Ford") are the major and minority shareholders of the Company, respectively. Isuzu-Motors Corporation of Japan ("Isuzu") is the minority shareholder of JIMCL. These companies are considered to be related parties because they have the ability to exercise significant influence over the Group in making financial and operating decisions.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries (including NGCL and JMCF), Ford, Isuzu and their subsidiaries during the year:

Name of company	Nature of transactions	Notes	2001 Rmb'000	2000 Rmb'000
Companies in connection with shareholders				
JMCG and its subsidiaries	Sales of automobiles	(a)	761,055	940,153
	Sales of parts and components	(a)	116,699	34,791
	Purchases of parts and components	(b)	651,838	417,173
	Management fee expenses	(c)	14,223	15,140
	Guarantee fee to JMCG	(d)	11,009	-
	Rental income	(e)	2,069	3,710
	Rental expense	(e)	614	-
	Disposal of interest in JMIEC to JMCG	(f)	5,411	-
	Interest income	22	324	1,206
	Sales of property, plant and equipment	(a)	-	394
	Purchases of property, plant and equipment	(b)	-	3,291
	Catering expenses	(c)	2,289	3,624
	Assignment of debt from JMCG to the Company	(g)	10,800	-
NGCL	Purchase of materials	(b)	95,670	41,694
JMCF	Interest expense	17	1,436	3,804
	Interest income	17	3,531	5,720

Ford and its subsidiaries	Royalty fee expenses	33(a)	22,547	10,777
	Purchases of parts and components	(b)	105,203	208,200
	Management fee expenses	(c)	16,600	14,280
	Technology development fee	(b)	-	2,511
	Manufacturing support fee	(b)	-	2,052
<u>Joint venture partner of a subsidiary</u>				
Isuzu and its subsidiaries	Purchases of parts and components	(b)	2,694	93,869
<u>Associate</u>				
JJMIEC	Commission expenses	(h)	2,950	8,788

(a) The sales to JMCG and its subsidiaries were conducted at market prices.

(b) The directors consider that the purchases of materials, parts and components were conducted at market prices similar to those offered to major customers from the suppliers.

29. Related party transactions (continued)

(c) The management and catering fees were based on the direct costs incurred.

(d) The guarantee fee to JMCG in connection with bank loans made to the Group was determined at agreed rates based on the monthly bank loan balances.

(e) Operating lease rentals receivable and payable were determined at agreed rates in accordance with the relevant lease contracts.

(f) The disposal of interest in JJMIEC to JMCG was determined at an agreed price in accordance with the relevant contract.

(g) The assignment of debt from JMCG to the Company was determined in accordance with the relevant contract.

(h) The commission expenses to JJMIEC, which arose from the purchases of imported materials, were based on an agreed rate of the transaction value.

During the year, JIMCL has made certain loans amounting to Rmb257,200,000 to JMCG. This advance was fully repaid by JMCG at the balance sheet date.

JMCG has guaranteed certain bank loans made to the Group up to Rmb1,749,610,000 (2000: Rmb2,028,250,000) as at the balance sheet date.

The amounts due to and from the above related parties at the year end are set out in notes 11, 16, 17, 18, 21, 22, 26, 27 and 28 to the financial statements.

30. Subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Date and place of establishment	Percentage of equity attributable to the Group	Principal activities
Jiangling-Isuzu Motors	10 March 1993	75%	Manufacture and

Company Limited	PRC		sale of automobiles and automobile spare parts
Jiangling Motors Sales Company	31 December 1993 PRC	100%	Sale of automobiles

31. Impact of IAS adjustments on profit before taxes and minority interests and net assets

	Profit before taxes and minority interests		Net assets	
	2001	2000	2001	2000
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
As reported under PRC accounting principles and regulations#	101,158	65,989	1,616,364	1,524,418
Cumulative IAS adjustments, net	60,542	37,813	37,759	(12,690)
As restated	161,700	103,802	1,654,123	1,511,728

Based on the statutory financial statements audited by PricewaterhouseCoopers China Limited as restated as a result of prior year adjustments.

32. Notes to the consolidated cash flow statement

(a) Net cash flows from operating activities

	2001	2000
	Rmb'000	Rmb'000
		(Restated)
Cash flows from operating activities		
Profit before taxes and minority interests	161,700	103,802
Adjustments for:		
Depreciation	281,102	262,514
Amortisation of prepayment for properties under operating leases	1,523	873
Write-back of bad and doubtful debts	(19,361)	(32,789)
Write-offs of accrual in respect of deferred development cost	(10,107)	-
(Write-back)/provision for inventory obsolescence	(6,816)	5,307
Provision for impairment losses in respect of:		
- Property, plant and equipment	36,288	1,154
- Construction in progress	39,847	-

Amortisation of deferred staff costs	20,531	23,607
Amortisation of intangible assets	44,228	48,145
Loss on disposal of property, plant and equipment and construction in progress	1,296	1,591
Loss on disposal of leased properties	1,387	-
Share of profits less losses of associates	1,775	(511)
Profit on disposal of interest in an associate	(2,444)	-
Interest expense, net	99,449	131,235
Interest income	(13,679)	(11,664)
Cash inflow from operating activities before working capital changes	636,719	533,264

32. Notes to the consolidated cash flow statement (continued)

(a) Net cash flows from operating activities (continued)

	2001 Rmb'000	2000 Rmb'000 (Restated)
Cash flows from operating activities		
(Increase)/decrease in accounts and notes receivable	(111,240)	259,730
Decrease/(increase) in inventories	173,663	(63,384)
Decrease/(increase) in prepayments and other receivables	6,158	(12,832)
Decrease in an amount due from Jiangling Motors Corporation Group	38,112	127,860
(Increase)/decrease in amounts due from other related companies	(48,887)	51,198
Increase/(decrease) in accounts and bills payable	21,340	(41,764)
Increase in receipts in advance	1,270	11,253
Increase in accruals and other payables	18,094	7,716
(Decrease)/increase in accrued staff welfare and benefits	(45,255)	32,392
Decrease in amounts due to other related companies	(33,344)	(14,108)
Decrease in an amount due to a minority shareholder of the Company	(10,359)	(44,090)
Increase/(decrease) in an amount due to a minority shareholder of a subsidiary	1,072	(5,956)
Cash inflow from operating activities	647,343	841,279
Interest paid	(99,449)	(133,419)
Income tax paid	(2,881)	(2,470)
Net cash inflow from operating activities	545,013	705,390

(b) Analysis of changes in financing activities during the year

	Share capital	Share premium	Bank loans	Loan from a related financial institution	Minority interests

	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2001	863,214	817,088	1,935,421	20,695	54,981
Net cash outflow from financing	-	-	(641,170)	-	-
Profit attributable to minority shareholders	-	-	-	-	14,542
Exchange realignment	-	-	(5)	(3)	-
At 31 December 2001	863,214	817,088	1,294,246	20,692	69,523

(c) Major non-cash transactions

In 2000, land use rights and buildings with an aggregate net book value of Rmb3,523,000 were transferred out from property, plant and equipment as capital contribution to JFASC.

33. Segmental information

The Group's turnover and profit for the year were mainly derived from the manufacture and domestic sale of automobiles and the principal assets employed by the Group are located in the PRC. Accordingly, no segmental analysis by business and geographical segments has been provided for the year.

34. Commitments

(a) Capital commitments

As at 31 December 2001, the Group had total outstanding capital commitments in respect of purchases of land and buildings and plant and machinery, amounting to approximately Rmb86,681,000 (2000: Rmb39,118,000).

(b) Royalty fee payable to a minority shareholder

On 21 August 1995, the Company entered into a joint development agreement with a minority shareholder, Ford, in which Ford agreed to provide technical assistance to the Company for the production of automobiles. In return, the Company agreed to pay Ford a total of US$40,000,000 by the end of the year 2004. On 29 September 2000, an amendment to the development agreement was entered into between the Company and Ford to waive the aforesaid repayment terms and royalty payment is calculated based on 1.8% of sale value of automobiles. As at 31 December 2001, the outstanding royalty fee committed, but not provided for, amounted to Rmb275,725,000 (2000: Rmb298,272,000).

(c) Joint venture commitments

Under the joint venture agreement (the "Agreement") of JIMCL dated 14 January 1993, the Company and the two other joint venture partners, Isuzu and Itochu Trading Company Limited ("Itochu") have committed to investing up to a total of US$90,000,000 in JIMCL, in three phases. The required investment capital is to be paid up to US$30,000,000 in the first phase, up to US$60,000,000 during the second phase and any remaining balance is to bring the total investment capital up to US$90,000,000 in the third phase.

The Agreement also provides that the shareholdings of the Company, Isuzu and Itochu will be maintained at 75%, 12.5% and 12.5%, respectively, up to the US$30,000,000 capital level. Thereafter, the shareholding structure will change according to the additional paid-up capital made by each of the three joint venture parties. The additional paid-up capital provisions are subject to variations according to any further agreement between the joint venture parties.

Pursuant to a resolution passed by the board of directors of JIMCL held on 30 January 1997, the pa Holding Company Limited ("Isuzu China"), a wholly-owned subsidiary of Isuzu. Accordingly, Isuzu and Isuzu China in aggregate owned an effective interest of 12.5% in JIMCL.

As at 31 December 2001, the four joint venture parties had contributed paid-up capital of US$30,000,000 in accordance with the above arrangements. There is no specific timetable for the completion of the second and third phases described above.

35. Contingent liabilities

As far as the contingent liabilities on product defects are concerned, the General Principles of the Civil Law of the PRC and the Industrial Product Quality Liability Regulations contain provisions for the liability of manufacturers and sellers for loss and injury caused by defective products. The Group does not carry any such product liability insurance and was not aware of any product liability claims either brought against it, or pending at the date when these financial statements were approved.

36. Retirement plan

As stipulated by the State regulations, the Group participates in a defined contribution retirement plan for its staff organised by the Nanchang Social Security and Worker Insurance Department. All members of staff are entitled to an annual pension equal to a fixed proportion of their final basic salaries at their retirement dates. The Group is required to make contributions to the retirement plan at a rate of 21% (2000: 23%) of the total salary of its staff. The expenses incurred in connection with the plan were approximately Rmb24,702,000 (2000: Rmb26,674,000). The Group has no obligation for the payment of pension benefits beyond the annual contributions described above.

37. Financial instruments

The financial assets of the Group include cash and bank balances, cash and time deposits with a related financial institution, investments, accounts and bills receivable, prepayments and other receivables, and amounts due from JMCG and related companies. The financial liabilities of the Group include bank loans, a loan from a related financial institution, accounts and bills payable, receipts in advance, accruals and other payables, accrued staff welfare and benefits, amounts due to related companies, an amount due to a minority shareholder of the Company and an amount due to a minority shareholder of a subsidiary.

Interest rate risk

The interest rates and terms of the repayment of a loan from a related financial institution and bank loans of the Group are disclosed in notes 17 and 25 to the financial statements, respectively.

Credit risk

Cash at bank and in hand

Substantial amounts of the Group's cash balances are deposited with the Bank of China, the Industrial and Commercial Bank of China, the Bank of Communications, the Agricultural Bank of China and the People's Construction Bank of China. Cash and time deposits are also placed with Jiangling Motors Corporation Finance Co., Ltd., a subsidiary of JMCG.

37. Financial instruments (continued)

Accounts receivable

The Group does not have a significant exposure to any individual customer or counterparty. The major concentrations of credit risk arise from exposures to a substantial number of accounts receivable operating in one geographical region, i.e., the PRC.

Fair values

The fair values of cash and bank balances, cash and time deposits with a related financial institution, investments, accounts and notes receivable, prepayments and other receivables, amounts due from JMCG and related companies, accounts and bills payable, receipts in advance, accruals and other payables, accrued staff welfare and benefits, amounts due to related companies, an amount due to a minority shareholder and an amount due to a minority shareholder of a subsidiary, are not materially different from their carrying amounts.

The carrying values of short term bank loans are estimated to approximate their fair values based on the nature or short term maturity of these instruments.

The fair values of long term bank loans as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments approximate their carrying values.

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

38. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

The impact of IAS on profit before taxes and minority interests and net assets has been provided in note 31 to the financial statements above.

39. Approval of the financial statements

The financial statements were approved by the board of directors on 5 April 2002.

Chapter XI Catalog on Documents for Reference

1. Originals of 2001 financial statements signed by legal representative Sun Min and Chief Financial Officer Manto Wong.
2. Originals of the Auditors' Reports signed by registered accountants and stamped by accountants firms.
3. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in 2001.

Board of Directors
Jiangling Motors Corporation, Ltd.
April 5, 2002