



Jiangling Motors Corporation, Ltd.

2009 Half-year Report

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Important Note: The Board of Directors and its members, the Supervisory Board and its members, and the senior executives are jointly and severally liable for the truthfulness, accuracy and completeness of the information disclosed in the report and undertake that the information disclosed herein does not contain false statements, misrepresentations or major omissions.

Chairman Wang Xigao, President Yuan-Ching Chen, CFO Joseph Verga and Chief of Finance Department, Wu Jiehong, ensure that the Financial Statements in this Half-year Report are truthful and complete.

The Half-year Financial Statements have not been audited.

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

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

Abbreviations:

EVP	Executive Vice President
CFO	Chief Financial Officer
VP	Vice President

Section I JMC's Basic Information

I. Brief Introduction

Company name in Chinese: 江铃汽车股份有限公司

Company name in English: Jiangling Motors Corporation, Ltd.

Abbreviation: JMC

Place of listing: Shenzhen Stock Exchange

Share's name: Jiangling Motors Jiangling B

Share's code: 000550 200550

JMC's registered address and head office's address: 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C.

Postcode: 330001

Internet web site: <http://www.jmc.com.cn>

Legal representative of JMC: Mr. Wang Xigao

Board Secretary: Mr. Wan Hong

Board securities affair representative: Mr. Quan Shi

Contact address: Jiangling Motors Corporation, Ltd., 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C.

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Persons for financial information disclosure: Mr. Joseph Verga
(Tel: 0791-5266503)

Newspapers for information disclosure: China Securities, Securities Times, Hong Kong Commercial Daily

Website designated by CSRC for publication of JMC's Half-year Report:
<http://www.cninfo.com.cn>

Place for placing Half-year Report: Securities Department, Jiangling Motors Corporation, Ltd.

Other Information:

1. JMC was registered with Nanchang Municipal Bureau of Industrial & Commercial Administration on November 28, 1993. The company registration was changed with Jiangxi Provincial Bureau of Industrial & Commercial Administration on January 8, 1997, on October 25, 2003, on September 23, 2004, on January 11, 2006 and on June 21, 2007.
2. Business License Registration Number: 002473.
3. Taxation Registration Number:
(State Administration of Taxation) 360108612446943
(Nanchang Local Taxation) 360104612446943

II. Operating Highlights

Unit: RMB '000

	At the end of reporting period*	At the end of the previous year	Change (%)
Total assets	7,055,561	5,963,778	18.31
Shareholder's equity Attributable to the Equity Holders of the Company	4,221,270	4,050,382	4.22
Share Capital	863,214	863,214	0
Net Assets Per Share Attributable to the Equity Holders of the Company (RMB)	4.89	4.69	4.22
	Reporting period (2009 first half)*	Same period last year*	Change (%)
Revenue	4,722,446	4,584,730	3.00
Operating Profit	524,050	595,975	-12.07
Profit Before Income Tax	546,271	623,991	-12.46
Profit Attributable to the Equity Holders of the Company	429,852	530,488	-18.97
Basic Earnings Per Share (RMB)	0.50	0.61	-18.97
Diluted Earnings Per Share (RMB)	0.50	0.61	-18.97
Return on Net Asset Ratio (%)	10.18	13.97	Down 3.79 percentage points
Net Cash Generated From Operating Activities	1,739,290	319,607	444.20
Net Cash Flow Per Share from Operating Activities (RMB)	2.01	0.37	444.20

*Unaudited financial indexes.

Impact of IFRS adjustments on the profit for the period:

Unit: RMB

	Shareholder's equity Attributable to the Equity Holders of the Company	Profit Attributable to the Equity Holders of the Company
	June 30, 2009	2009 first half
As Prepared under the China GAAP**	4,224,114,360	432,696,914
Adjustment per IFRS:		
Staff bonus and welfare fund appropriated from net profit of a subsidiary	-2,844,346	-2,844,346
As Restated in Conformity with IFRS	4,221,270,014	429,852,568

** Based on the financial statements prepared by JMC under the China GAAP.

Section II Share Capital Changes and Main Shareholders

I. Table of the changes of shareholding structure

	Before the change		Change (+, -)					After the change	
	Shares	Proportion of total shares (%)	New shares	Bonus Shares	Reserve-converted shares	Others	Subtotal	Shares	Proportion of total shares (%)
I. Limited tradable A shares	271,372,145	31.44%				-268,130,600	-268,130,600	3,241,545	0.38%
1.State-owned shares									
2. State-owned legal person shares	267,854,600	31.03%				-267,854,600	-267,854,600	0	0
3. Other domestic shares	3,517,545	0.41%				-276,000	-276,000	3,241,545	0.38%
Including:									
Domestic legal person shares	3,513,000	0.41%				-276,000	-276,000	3,237,000	0.37%
Domestic natural person shares	4,545	-						4,545	-
II. Unlimited tradable shares	591,841,855	68.56%				268,130,600	268,130,600	859,972,455	99.62%
1. A shares	247,841,855	28.71%				268,130,600	268,130,600	515,972,455	59.77%
2. B shares	344,000,000	39.85%						344,000,000	39.85%
III. Total	863,214,000	100%						863,214,000	100%

Note: As of May 20, 2009, the trading restriction on parts of the limited tradable A shares was relieved thereby causing the changes in shareholding structure.

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

Total shareholders	JMC had 33,205 shareholders, including 23,690 A-share holders and 9,515B-share holders, as of June 30, 2009.				
Top ten shareholders					
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares	Shares with Trading Restriction	Shares Due to Mortgage or Frozen
Jiangling Motor Holding Co., Ltd. (“JMH”)	State-owned legal person	41.03	354,176,000	-	-
Ford Motor Company (‘Ford’)	Foreign legal person	30	258,964,200	-	-
Shanghai Automotive Co., Ltd.	State-owned legal person	2.05	17,692,500	-	-
Bosera Thematic Sector Equity Securities Investment Fund	Domestic non-state-owned legal person	1.54	13,304,508	-	-
Bosera Emerging Growth Securities Investment Fund	Domestic non-state-owned legal person	1.16	10,045,143	-	-
Dragon Billion China Master Fund	Foreign legal person	1.13	9,775,590	-	-

China Post Growth Securities Investment Fund	Domestic non-state-owned legal person	0.60	5,217,574	-	-
Abn Amro Teda Evaluation Securities Investment Fund	Domestic non-state-owned legal person	0.55	4,704,540	-	-
National Social Security Fund-Portfolio 102	Domestic non-state-owned legal person	0.52	4,476,400	-	-
Lion Wealth Increase Stock Investment Fund	Domestic non-State-owned legal person	0.46	4,000,000	-	-
Top ten shareholders holding unlimited tradable shares					
Shareholder Name		Shares without Trading Restriction		Share Type	
Jiangling Motor Holding Co., Ltd.		354,176,000		A share	
Ford Motor Company		258,964,200		B share	
Shanghai Automotive Co., Ltd.		17,692,500		A share	
Bosera Thematic Sector Equity Securities Investment Fund		13,304,508		A share	
Bosera Emerging Growth Securities Investment Fund		10,045,143		A share	
Dragon Billion China Master Fund		9,775,590		B share	
China Post Growth Securities Investment Fund		5,217,574		A share	
Abn Amro Teda Evaluation Securities Investment Fund		4,704,540		A share	
National Social Security Fund-Portfolio 102		4,476,400		A share	
Lion Wealth Increase Stock Investment Fund		4,000,000		A share	
Notes on association among above-mentioned shareholders		Bosera Thematic Sector Equity Securities Investment Fund, Bosera Emerging Growth Securities Investment Fund and National Social Security Fund- Portfolio 102 are in custody of Bosera Fund Management Co., Ltd.			

Section III Directors, Supervisors and Senior Management

I. There was no change in the status of JMC directors, supervisors and senior management holding JMC shares in the reporting period.

II. Changes of Directors, Supervisors and Senior Management During the Reporting Period

Director Changes:

The fourth session of the sixth Board held on March 31, 2009 approved the following resolution: whereas Mr. Mei Wei Cheng resigned from Vice Chairman position with

the Company, the Board of Directors elected Mr. Robert J. Graziano as Vice Chairman of the Company.

Upon Mr. Mei Wei Cheng's resignation from his directorship in the Company, Mr. Yuan-Ching Chen was elected on June 25, 2009 as a Director of the Company at the 2008 Annual Shareholders' Meeting.

Senior Management Changes:

The fourth session of the sixth Board held on March 31, 2009 approved the following resolutions: accepted Mr. Mustafa Menku's resignation from the Vice President position with the Company, and appointed Mr. Ravichandran Swaminathan as a Vice President of the Company per President Yuan-Ching Chen's nomination.

The fifth session of the sixth Board held on June 25, 2009 approved the following resolution: appointed Mr. Peter John Dowding as a Vice President of the Company per President Yuan-Ching Chen's nomination.

Section IV Management Discussion and Analysis

I. Operating Results

JMC's core business is production and sales of light vehicles and related components. Its major products include JMC series light truck and pickup, and Transit series commercial vehicles. The Company also produces engines, casting and other components.

In First Half of 2009, China's economy recovered from the global financial crisis faster than anticipated with the assistance of the government stimulus economic policy. JMC achieved record sales volume of 53,327 units including 22,352 JMC series light trucks, 16,761 JMC series pickups and SUV, and 14,214 Ford Transit series commercial vehicles. Total sales volume was up 2.55% from same period last year. Total production volume was 52,002 units, including 21,704 JMC series light trucks, 15,926 JMC series pickups and SUV, and 14,372 Transits.

The Company's sales increase is primarily explained by industry increases. JMC series light truck sales volume increased 6% compared with same period last year, JMC series pickup and SUV sales volume increased 3%, Transit sales volume decreased by 4%.

In First Half of 2009, the Company achieved a share of about 0.9% of the Chinese automotive market, decreasing by 0.1 percentage points compared with same period last year. In First Half of 2009, the Company achieved a share of about 2.1% of the Chinese commercial automotive market, decreasing by 0.3 percentage points from same period last year. JMC's share of commercial automotive market declined because the mini segment share of the commercial vehicle market increased from 36.5% to 48.1%. Mini share growth was stimulated by government incentives. JMC has maintained or grown its share of the commercial vehicle segments in which it competes. JMC light trucks (including pickup) accounted for 5.1% of the light truck market, maintaining the same level compared with same period last year. Transit achieved 13.5% share of the light bus market, about 1.5 percentage points higher than

the same period last year. (Data source for above analysis: China Association of Automobile Manufacturers and the Company sales records)

II. Financial Results

The Table summarizes revenue & cost of goods sold from core business:

Unit: RMB '000

Product	Turnover	Cost from core business	Gross Margin (%)	Turnover change from the same period last year (%)	Costs in core business change from the same period last year (%)	Gross margin change from the same period last year (%)
I. Vehicles	4,370,152	3,288,767	24.7%	5.1	4.9	0.1
II. Components	301,927	226,751	24.9%	-4.1	-6.6	2.0
Total	4,672,079	3,515,518	24.8%	4.4	4.0	0.3
Involving: related party transactions	297,217	241,735	18.7%	-39.3	-38.2	-1.4
Pricing principle of related party transactions	Market Price					

Details pertaining to core business classified according to region:

Unit: RMB '000

Region	Turnover	Turnover change from the same period last year (%)
North-east China	222,810	-0.2
North China	468,927	-1.0
East China	2,314,831	-2.7
South China	726,443	14.6
Central China	385,778	16.4
North-west China	226,526	25.8
South-west China	326,764	29.4

Revenue in First Half of 2009 was RMB 4,722 million, up 3% from same period last year. This increase primarily reflects higher vehicle sales volume, partially offset by price reduction.

Under International Financial Reporting Standards, net profits were RMB 430 million, down RMB 100 million from same period last year. Excluding other one-time items which occurred in 2008 (primarily government grants), net profits increased by 17% compared with the same period in 2008. Higher gross profit derived from volume increases and cost reductions was partially offset by price reduction. Distribution costs decreased by RMB 47 million, down 13% from same period last year, primarily reflecting absence of new product launch in first half of 2009. Other income

decreased by RMB 165 million, down 99% from same period last year, primarily reflecting a 2008 one-time gain derived from government grants for the Xiaolan site.

Cash flow from operations was positive RMB 1,739 million, reflecting profitability and operating-related changes targeted at improving JMC's balance sheet and cash position. Cash flow from investing activities was negative RMB 158 million, primarily reflecting spending for capital goods such as facilities, equipment and tooling. Financing cash flow was negative RMB 14 million, primarily reflecting bank loan reduction and interest expenses.

At the end of June 2009, Company cash and cash equivalents totaled RMB 3,079 million, up RMB 1,567 million from the end of 2008. The balance of bank borrowing was RMB 33 million, down RMB 14 million from the end of 2008.

Total assets were RMB 7,056 million, up 18% from RMB 5,964 million at year-end 2008, primarily reflecting higher cash. The assets structure primarily remains unchanged from 2008 but continues to become healthier.

Total liabilities were RMB 2,716 million, up RMB 903 million from at year-end 2008, primarily reflecting dividend payment accrual and higher accounts payable due to higher production volume and investment.

Shareholder equity, including minority interest, was RMB 4,340 million at June 30, 2009, up RMB 189 million from year-end 2008. This increase is explained by net profit earned in the reporting period, partially offset by dividend payment accrual.

III. Operational Challenges and Resolutions

In First Half of 2009, the Company continued to face competitive challenges with new product entries and intensifying cost pressures. The Company focused on initiating new product development and expanding production capacity, with appropriate assessment of the existing market conditions and future trend analysis.

Regarding competition, the Company continued to experience market share pressure from lower-priced competitors in all of its segments. In response, the Company lowered price for Diesel Stage II Pickup 2007 model in Quarter 4 2008, and the Diesel Stage III Pickup 2007 model and N301 Diesel Pickup models in Quarter 2 2009. Additionally, proactive marketing plans were initiated to help generate sales. The Company also accelerated development of second Tier markets and enhanced its customer purchase experience.

In response to the global financial crisis, the company continued to focus on (1) ensuring steady cash flow, (2) defending market share and accelerating sales promotion for support both present and new products, (3) leveraging the government market stimulus plan, (4) fully leveraging the latest developments associated with reduced cost of global primary commodity prices to reduce component prices, (5) balancing management of controllable expenses, including operating, capacity-related, and new product development-related spending, while ensuring that the company's long term development remains consistent with company objectives, and (6) strengthening corporate governance and application of appropriate risk assessment and control mechanisms.

The company anticipates continued market pressures including a rebound in raw material prices, competitive vehicle price reduction, new vehicle entries in selected market segments, government policy revisions and more stringent regulatory requirements.

The Company continues to leverage previously established processes and work groups to reduce existing production cost and eliminate operating waste throughout the enterprise. Additionally, we are providing emphasized focus on maximizing part sourcing localization and cost reduction for the new products to be introduced in 2009. The company's management remains focused on (1) leveraging existing product platforms to generate new revenue streams, (2) introducing new products, and (3) expanding production capacity as appropriate and consistent with changing market forecasts. The Company continues to execute several approved major projects with the support of our technology partners. These programs include the N900 project (the next generation truck product which is developed independently), the N350 project (the next generation Pickup and SUV vehicle product which is developed independently), the N800 project (the next generation truck product which is developed independently), the A4 Press Line and the JX4D24, E802 engine manufacturing projects which support our vehicles with locally produced sheet metal stampings and engines to meet future regulatory requirements. These actions will introduce competitive and profitable products into the light commercial vehicle market as soon as possible and will effectively upgrade manufacturing capability.

Finally, the company is continuing its efforts to ensure sustainable growth, including studying opportunities for adding incremental products and expanding export and OEM sales.

IV. Investment in the Reporting Period

1. In First Half year of 2009, JMC did not raise equity funding, nor did it use equity funding raised in previous years.

2. Self funded major projects:

Project Name	Total Investment Estimate (RMB Mils)	Spending To Date (RMB Mils)	Future Investment Forecast (RMB Mils)	Planned Completion Date
N800	725	44	681	Second Half, 2012
N350	598	307	291	Second Half, 2010
A4 Press Line	384	74	310	First Half, 2010
JX4D24 Engine	350	311.7	13.3	Second Half, 2009
JX4D24 Engine Phase II	315	0.3	314.7	Second Half, 2011
N900	250	169	81	Second Half, 2009
Frame Press Machine	53	41.3	11.7	Second Half, 2009

Vehicle storage and delivery facility Phase I	35	4.4	30.6	First Half, 2010
JX4D24 Engine for N350	30	14	16	Second Half, 2009
High Speed CNC Milling Machine	11.7	0.8	10.9	First Half, 2010
PDM Program	10.5	4.7	5.8	Second Half, 2010
V348 2010 MY Program	17	1	16	First Half, 2010
E802 Engine Program	419	2	417	First Half, 2012
V348 A4 Line Die Modification Program	10	-	10	Second Half, 2010
V348 China Stage IV Heavy Duty Truck Program	59	26	33	Second Half, 2010
Stage V and VI Emissions Facilities Program	26.6	-	26.6	Second Half, 2010
Total	3,293.8	1,000.2	2,268.6	

The Spending will be funded from cash reserves.

V. 2009 Second Half Year Plan

The Company is projecting revenue in the range of RMB 4,000 to 5,000 million for the Second Half of 2009. Intensified competition resulting from new market entries and the launch of news models will require increased levels of marketing expense to support market share expansion. Additionally, R&D and capital expenditures are projected to be higher as we progress with new product programs and capacity expansion actions.

In the Second Half, the Company continues to focus on generating cash and profits, enhance formulation of new product development strategies, and execute plans for future growth. Specific actions include:

- i. Accelerate efforts to strengthen our brand image by enhancing the Company's distribution network, including distribution network expansion and improving customer sales service.
- ii. Work with technology partners to execute the N900, JX4D24, N350, N800, E802, V348 Heavy Duty Stage IV and A4 Press Line projects, and continue to expand production capacity.
- iii. Increase cost reduction efforts by focusing on customer value and eliminating waste.
- iv. Develop product plans to add new products for introduction in the Chinese market.
- v. Expand the export and OEM component sales business.

Section V Major Events

I. Status of the Corporate Governance in JMC

During the reporting period, the Company continued to operate its corporate governance in compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, as well as relevant laws and regulations. Generally, the actual situation of the corporate governance in JMC meets the requirements of the laws and regulations promulgated by CSRC.

II. Execution of Profit Distribution Plan

The 2008 Annual Shareholders' Meeting of the Company approved the 2008 calendar year profit distribution plan on June 25, 2009. Announcement of 2008 calendar year dividend distribution was published in China Securities, Securities Times and Hong Kong Commercial Daily on July 11, 2009, and it has been executed accordingly.

The 2008 calendar year dividend distribution plan was as follows:

Based on the total share capital of 863,214,000 shares, cash dividend of RMB 3 (before tax) per 10 shares is to be distributed to shareholders. Individual shareholders, investment funds and qualified foreign institutional investors holding the Company's A shares will receive an after-tax cash dividend of RMB 2.7 per 10 shares, and the cash dividend for B-share holders is not subject to taxation at present. For other non-resident enterprises, the Company will not withhold nor pay the income tax on their behalf, and the taxpayer shall pay the tax in the place where the income is received. The cash dividends on B shares shall be paid in Hong Kong Dollars converted at HKD1.00 = RMB0.8816, reflecting the mid point between the exchange rates for the HK dollar and RMB quoted by the People's Bank of China on the first business day (June 26, 2009) immediately after the relevant resolutions were passed at the Company's Shareholders' Meeting.

Equity record date and ex-dividend date for A shares were July 17 and July 20, 2009 respectively; last trading date, ex-dividend date and equity record date for B shares were July 17, July 20, and July 22, 2009 respectively.

JMC did not convert capital reserves into share capital in the reporting period.

III. JMC had no major litigation or arbitration issues in the reporting period.

IV. JMC did not acquire or sell operation during the reporting period.

V. Major related party transactions

1. Related party transactions for purchase of commodities and services in the reporting period
 - (1) JMC purchased certain raw materials, auxiliary materials and components from related parties. Transactions with half-year value over RMB 15 million are listed

bellow:

Transaction Parties	Pricing Principle	Settlement Method	Amount (RMB '000)	% of Total Purchases
Jiangxi Jiangling Chassis Company	Contracted price	60 days after delivery	149,328	4.91
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Contracted price	Prepayment	145,755	4.79
JMCG Interior Trim Factory	Contracted price	60 days after delivery	128,737	4.23
GETRAG (Jiangxi) Transmission Company	Contracted price	60 days after delivery	117,157	3.85
Jiangling-Lear Interior Trim Factory	Contracted price	60 days after delivery	83,290	2.74
Ford	Contracted price	Letter of credit	79,867	2.62
JMCG	Contracted price	60 days after delivery	71,095	2.34
Visteon Climate Control (Nanchang) Co., Ltd.	Contracted price	60 days after delivery	52,593	1.73
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	42,865	1.41
Nanchang Jiangling Huaxiang Auto Components Co.	Contracted price	60 days after delivery	40,346	1.33
Jiangxi JMCG Industrial Company	Contracted price	60 days after delivery	25,522	0.84

(2) The sales of products by JMC to related parties with half-year value over RMB 15 million are listed bellow:

Transaction Parties	Pricing Principle	Settlement Method	Amount (RMB'000)	% of Total Sales Revenue
JMCG Import and Export Co., Ltd.	Contracted price	30 days after delivery	196,530	4.16
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	47,543	1.01
JMCG Interior Trim Factory	Contracted price	Consignment after receiving payment of purchased goods	21,404	0.45
JMH	Contracted price	30 days after invoicing	20,419	0.43

In the above mentioned pricing principle, market price means that it is based on the market price of similar products, and contracted price means that for unique products or services for which comparable market data is difficult to obtain, prices are

determined through the process of supplier quotation, cost assessment and negotiations.

(3) Seconded Compensations

Pursuant to revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates, in the first half of 2009, the Company should pay approximately US\$ 1,688 thousand and RMB 1,170 thousand to Ford as service fee for expatriate secondees and Chinese secondees assigned by Ford, and should pay approximately US\$ 160 thousand to Ford Otosan as service fee for expatriate secondees assigned by Ford Otosan.

Pursuant to an agreement signed on January 1, 2009 between JMC and JMH, in the first half of 2009, JMC should pay approximately RMB 349 thousand to JMH as service fee for the employees assigned by JMH.

(4) General Service

JMCG bears the middle school and primary school educational fees of existing employees and certain retired employees' expenses of JMC, and provides services such as cable television. The related costs were borne by JMC according to agreed percentages as determined by headcount ratio of JMC and JMCG. In the reporting period, RMB 600 thousand of the above-mentioned costs was shared by JMC and its subsidiaries.

(5) Purchasing Agency

JMCG Import & Export Co., Ltd. was the import agent of JMC for acquiring import materials, equipment and technology services. In the first half of 2009, JMC paid JMCG Import & Export Co., Ltd. commission of RMB 2.34 million pursuant to the Supplemental Contract to Exclusive Import Agency Agreement signed between JMC and JMCG Import & Export Co., Ltd.

2. The Company had no related party transaction concerning transfer of assets or equity in the reporting period.

3. Creditor's rights, liabilities and guarantees between JMC and related parties

(1) Balance of accounts due to or due from main related parties with value over RMB 30 million:

Unit: RMB '000			
Item	Related Parties	Amount (RMB thousands)	% of Each Account Balance
Prepayment	Nanchang Bao-jiang Steel & Processing Distribution Co., Ltd.	91,145	72.97
Accounts and bills payable	Jiangxi Jiangling Chasis Company	77,231	4.93
Accounts and bills payable	Jiangling-Lear Interior Trim Factory	60,906	3.89
Accounts and bills payable	Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	58,962	3.77
Accounts and	GETRAG (Jiangxi)	53,777	3.44

bills payable	Transmission Company		
Accounts and bills payable	JMCG Interior Trim Factory	53,706	3.43
Accounts and bills payable	JMCG	35,428	2.25
Other payable	Ford	43,901	10.06

(2) Deposit

On June 30, 2009, JMC had a deposit of RMB 91.93 million in JMCG Finance Co., Ltd. JMC received a total of RMB 1.16 million in interest from JMCG Finance Co., Ltd. during the first half of 2009.

(3) Guarantees to JMC

As of June 30, 2009, JMCG Finance Co, Ltd provided a guarantee for JMC's bank loans of US\$ 1.21 million.

4. Other major related party transactions during the first half of 2009

According to the Joint Development Agreement and the 2nd Amendment Contract to the Joint Development Agreement signed by JMC and Ford, JMC shall pay technology development fee totaling US\$ 40 million to Ford. JMC had paid off the aforesaid fee as of June 30, 2009.

According to the V348 Transit Vehicles Series Technology Licensing Contract ("V348 TLC") signed by JMC and Ford as well as Supplemental Agreement to V348 TLC jointly signed by Ford, Ford Global Technologies LLC, Ford Otosan and JMC, JMC is to pay licensing fee annually reflecting 2.6% of V348 Transit net sales revenue. Ford Global Technologies LLC shall receive 67.31% of the licensing fee and Ford Otosan shall receive the reminder 32.69%. JMC bore a licensing fee of US\$ 1.50 million (equal to RMB 10.22 million) in the first half of 2009. US\$ 0.9 million had not paid yet through June 30, 2009.

VI. There were neither entrustment, contracts or leased assets from other companies, nor entrustment, contracts or leases of JMC's assets to other companies from which profit was generated in excess of 10% of the reporting period total profit. JMC did not entrust other people with cash asset management in the reporting period.

VII. Commitments of the Company, its shareholders, its Directors, its Supervisors or its Senior Executives

JMH, which holds 41.03% of JMC total shares, issued letters of commitment, and declared and promised the following:

- (1) according to the requirements of Rules on Implementing the Full Tradable Share Reform of the Listed Companies, legal commitments will be fulfilled in accordance with provisions of the stock exchange laws and regulations;
- (2) the promisor ensures that it will compensate losses resulting from partial or complete non-fulfillment of its promises to other shareholders; and
- (3) the promisor will fulfill its commitments faithfully and accept relevant legal responsibility, and it will not transfer its shares unless the transferee agrees and accepts liability to undertake the responsibility of the promise.

JMH promises specifically to pay the consideration on behalf of the unlisted-share holders who oppose the Share Reform or did not express their opinions. The above-mentioned unlisted-share holders should repay the consideration paid by JMH and the interest, or obtain written consent from JMH, if they want to list their shares.

In the reporting period, JMH exercised its commitments sincerely and did not breach the promise.

VIII. Neither the Company nor its directors or senior management were punished by regulatory authorities in the reporting period.

IX. JMC guarantees to outside companies

The Company Board of Directors approved on December 13, 2007 to provide guarantee to Ford Automotive Finance (China) Ltd. ("FAFC") with vehicle pledge for Suzhou Hejun Auto Trading Limited, Shanghai Jiuhua Auto Industrial Limited, Wuxi Jiangling Auto Sales Limited and Shenzhen Shuncheng Jiangling Auto Trading Limited with a total credit line of no more than RMB 55.5 million.

The table below summarizes JMC outside guarantees in first half of 2009.

Outside Guarantees (excluding the guarantees to the subsidiaries of the Company)						
Name	Date (Signature Date of the Agreement)	Amount (RMB)	Type of Guarantee	Term of Guarantee	Whether Has Been Executed Completely (Y/N)	Whether For A Related Entity (Y/N)
Suzhou Hejun Auto Trading Limited	December 24, 2007	4,240,000	Pledge	12 months	N	N
Total amount of the guarantees in the reporting period			61,588,710			
Balance of the guarantees as of the end of the reporting period			4,240,000			
Guarantees to the subsidiaries of the Company						
Total amount of the guarantees to the subsidiaries of the Company in the reporting period			0			
Balance of the guarantees to the subsidiaries of the Company as of the end of the reporting period			0			
Total Guarantees (including the guarantees to the subsidiaries of the Company)						
Total Amount			4,240,000			
As % of the Company's net assets			0.1%			
Including:						
Guarantees offered to shareholders, actual controlling parties and its related parties			0			

Guarantees directly or indirectly offered to guaranteed parties whose ratio of liabilities to assets exceed 70%	0
Amount of the guarantees exceeding 50% of the Company's net assets	0
Subtotal of the aforesaid three items	0

X. Independent directors' explanation and independent opinions on the Company's account receivables by related parties and outside guarantees

Independent Director Zhang Zongyi, Shi Jiansan and Vincent Pun Fong Kwan expressed their opinions on the Company's account receivables by related parties and outside guarantees as follows:

We are aware of the cash flow occurring between the Company and its controlling shareholders and other related parties and the Company's outside guarantees, and believe that:

1. Cash flow occurring between the Company and its controlling shareholders and other related parties resulted from normal business transactions. There was no illegal embezzlement of company funds.

2. The risk derived from the vehicle pledge provided for such credit facilities is offset because the Company has received the cash payment of the vehicles from FAFC on behalf of the dealers. The Company has no other outside guarantees except the aforesaid guarantees provided for the dealers in the reporting period.

XI. External research and media interviews of the Company

Date	Place	Communication Method	Object	Information Discussed and Materials Offered
February 27, 2009	In the Company	Oral Communication	Three analysts from China Asset Management Co., Ltd., Haitong Securities Company Limited, China Universal Asset Management Co., Ltd.	JMC Operating highlights
March 5, 2009	In the Company	Oral Communication	An analyst from Orient Securities Company Limited	JMC Operating highlights
March 11, 2009	In the Company	Oral Communication	Three analysts from China Asset Management Co., Ltd., Everbright Securities Co., Ltd.	JMC Operating highlights
March 13, 2009	In the Company	Oral Communication	An analyst from China International Capital Corporation Limited.	JMC Operating highlights
March 19, 2009	In the Company	Oral Communication	Five analysts from E Fund Management Co., Ltd., China Post & Capital Fund Management Co., Ltd., GF Securities Co., Ltd.,	JMC Operating highlights

			Fullgoal Fund Management Co., Ltd., Donghai Securities Co., Ltd.	
April 14	In the Company	Oral Communication	Three analysts from Penghua Fund Management Co., Ltd., First State Cinda Fund Management Co., Ltd., China Merchants Securities Co., Ltd.	JMC Operating highlights
April 29	In the Company	Oral Communication	An analyst from Harvest Fund Management Co., Ltd.	JMC Operating highlights
May 6	In the Company	Oral Communication	An analyst from Bopo Consulting Company	JMC Operating highlights
June 9	In the Company	Oral Communication	Two analysts from Lianhe Securities Co., Ltd., Fullgoal Fund Management Co., Ltd.	JMC Operating highlights

XII. Establishment and Implementation of Internal Control System

During the reporting period, in order to meet the provisions of Fundamental Guideline on Enterprise Internal Control, the Company founded a group that is led by senior executives and in charge of implementation of internal control guidelines, defined the responsibilities of the group, and established in an action plan. The group has reviewed the status of the Company internal control thoroughly and made improvements in accordance with Fundamental Guideline on Enterprise Internal Control, which ensured the effectiveness of the Company internal control.

XIII JMC did not participate in securities investments nor did it hold equity in other listed companies during the reporting period.

XIV Indexes for publication of information disclosure

All announcements of the Company are published in China Securities, Securities Time and Hong Kong Commercial Daily. The website for information disclosure is <http://www.cninfo.com.cn>. The listing of information disclosed in the first half of 2009 is as follows:

1. Production and sales volume information in December 2008 was published on January 9, 2009.
2. Production and sales volume information in January 2009 was published on February 6, 2009.
3. Production and sales volume information in February 2009 was published on March 4, 2009.
4. Extracts from the 2008 Annual Report and announcements on the relevant resolutions of the Board of Directors and the Supervisory Board were published on March 18, 2009.
5. Announcement on the resolutions of the fourth session of the sixth Board of Directors and production and sales volume information in March 2009 were published on April 2, 2009.
6. 2009 First Quarter Report was published on April 24, 2009.
7. Production and sales volume information in April 2009 was published on May 6, 2009.

8. The prompt announcement on relieving the trading restriction on the limited tradable shares in Full Tradable Share Reform was published on May 19, 2009.
9. Announcements on the resolutions of the Board of Directors, the Notice on Holding 2008 Annual Shareholders' Meeting and production and sales volume information in May 2009 were published on June 3, 2009.
10. Announcement on the resolutions of the 2008 Annual Shareholders' Meeting was published on June 26, 2009.
11. Announcement on the resolutions of the fifth session of the sixth Board was published on June 27, 2009.

Section VI Financial Statements

The Half-year Financial Statements have not been audited.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009**

(All amounts in RMB unless otherwise stated)

	Note	As at	
		30 June 2009#	31 December 2008
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,353,840	2,362,871
Lease prepayment	7	287,654	290,916
Intangible assets	8	33,760	35,680
Investments in associates	9	13,759	16,136
Other non-current assets		233	300
Deferred income tax assets	10	88,354	105,233
		<u>2,777,600</u>	<u>2,811,136</u>
Current assets			
Inventories	11	850,495	1,057,873
Trade and other receivables	12	348,631	583,161
Cash and cash equivalents	13	3,078,835	1,511,608
		<u>4,277,961</u>	<u>3,152,642</u>
Total assets		<u>7,055,561</u>	<u>5,963,778</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	863,214	863,214
Share premium		816,609	816,609
Other reserves	15	457,650	457,650
Retained earnings		2,083,797	1,912,909
		<u>4,221,270</u>	<u>4,050,382</u>
Minority interest in equity		<u>118,722</u>	<u>100,708</u>
Total equity		<u>4,339,992</u>	<u>4,151,090</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	7,829	8,056
Retirement benefit obligations	17	70,493	72,602
Warranty provisions	18	111,934	99,079
		<u>190,256</u>	<u>179,737</u>
Current liabilities			
Trade and other payables	19	2,442,146	1,580,530
Current income tax liabilities		43,770	-
Borrowings	16	25,447	39,117
Retirement benefit obligations	17	13,950	13,304
		<u>2,525,313</u>	<u>1,632,951</u>
Total liabilities		<u>2,715,569</u>	<u>1,812,688</u>
Total equity and liabilities		<u>7,055,561</u>	<u>5,963,778</u>

#Unaudited financial indexes

The notes on pages 7 to 47 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2009#	2008#
		RMB'000	RMB'000 (restated)
Revenue	20	4,722,446	4,584,730
Sales tax		(76,245)	(79,429)
Cost of sales		(3,549,912)	(3,457,990)
Gross profit		1,096,289	1,047,311
Distribution costs		(319,154)	(365,660)
Administrative expenses		(255,378)	(252,503)
Other income	23	2,293	166,827
Operating profit		524,050	595,975
Finance income	24	21,784	25,942
Finance costs	24	(1,480)	(1,420)
Finance income-net	24	20,304	24,522
Share of profit of associates		1,917	3,494
Profit before income tax		546,271	623,991
Income tax expense	25	(98,405)	(88,009)
Profit for the period		447,866	535,982
Attributable to:			
Equity holders of the Company		429,852	530,488
Minority interest		18,014	5,494
		447,866	535,982
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	26	0.50	0.61

#Unaudited financial indexes

The notes on pages 7 to 47 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009**
(All amounts in RMB unless otherwise stated)

	Note	Attributable to equity holders of the Company#				Minority Interest#	Total Equity#
		Share Capital	Share Premium	Other Reserves	Retained Earnings		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		863,214	816,609	442,331	1,404,836	88,299	3,615,289
Profit for the six months		-	-	-	530,488	5,494	535,982
Dividend relating to 2007		-	-		(258,964)	-	(258,964)
Balance at 30 June 2008		863,214	816,609	442,331	1,676,360	93,793	3,892,307
Balance at 1 January 2009		863,214	816,609	457,650	1,912,909	100,708	4,151,090
Profit for the six months		-	-	-	429,852	18,014	447,866
Dividend relating to 2008	27	-	-	-	(258,964)	-	(258,964)
Balance at 30 June 2009		863,214	816,609	457,650	2,083,797	118,722	4,339,992

#Unaudited financial indexes

The notes on pages 7 to 47 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009**
(All amounts in RMB unless otherwise stated)

	Note	Six months ended June 30	
		2009#	2008#
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	28	1,746,477	364,076
Interest paid		(881)	(1,240)
Income tax paid		(6,306)	(43,229)
Net cash generated from operating activities		<u>1,739,290</u>	<u>319,607</u>
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(199,461)
Purchase of property, plant and equipment ("PPE")		(189,824)	(401,296)
Proceeds from disposal of PPE	28	1,989	1,164
Interest received		23,009	28,409
Dividends received		6,944	-
Proceed from repayment of held-to-maturity investments		-	200,000
Net cash used in investing activities		<u>(157,882)</u>	<u>(371,184)</u>
Cash flows from financing activities			
Proceeds from borrowings		35,000	39,107
Repayments of borrowings		(48,901)	(39,336)
Dividends paid to the Company's shareholders		-	(181)
Other cash paid relating to financing activities		(181)	(182)
Net cash used in financing activities		<u>(14,082)</u>	<u>(592)</u>
Net decrease in cash and cash equivalents		1,567,326	(52,169)
Cash and cash equivalents at beginning of year		1,511,608	2,106,912
Effects of exchange rate changes		(99)	(213)
Cash and cash equivalents at end of period		<u>3,078,835</u>	<u>2,054,530</u>

#Unaudited financial indexes

The notes on pages 7 to 47 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

1 General information

Jiangling Motors Corporation, Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) under the Company Law of the PRC and according to the approval of Hongban (1992) No. 005 of Nanchang Revolution and Authorization Group of Company’s Joint Stock as a joint stock limited company to hold certain operational assets and liabilities of the automotive manufacturing business of Jiangxi Motors Manufacturing Factory, which was owned by Jiangling Motors Corporation Group (“JMCG”). The legal representative’s operating license of the Company is No.002473.

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

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

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

As at 30 June 2009, the total issued shares of the Company are 863,214,000 shares, which are all listed on the Shenzhen Stock Exchange, the PRC.

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

These group consolidated financial statements were authorised for issue by the Board of Directors on 21 August 2009.

2 Summary of significant accounting policies

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

A Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”). They have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

B Consolidation

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

(3) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2 H for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

B Consolidation (continued)

(3) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investment in associates are recognised in the income statement.

C Segment Reporting

The Group's turnover and profit for the six months ended 30 June 2009 were mainly derived from the manufacture and domestic sale of automobiles, related spare parts and components, and the principal assets employed by the Group are located in the PRC. Therefore, no additional business segment or geographical segment data is presented.

D Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Foreign exchange gains and losses are presented in the income statement within 'other income/(expenses)'.

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

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

E Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 H).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income/(expenses) – net' in the income statement.

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

F Lease prepayment

Lease prepayments represent upfront prepayments made for the land use rights, and are expensed in the income statement on a straight line basis over the period of the lease or when there is impairment; the impairment is expensed in the income statement.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

G Intangible assets

(1) Research and development

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

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

No development costs were capitalised by the Group during the six months ended 30 June 2009.

(2) Technical know-how

Technical know-how referred to after-sale management model are initially recorded at costs incurred to acquire and are amortised over the estimated useful lives of 6 years.

H Impairment of non-financial assets

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

I Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

J Financial assets

(1) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (Notes 2 M and 2 N).

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, these are classified as current assets.

(d) Available-for-sale financial assets

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

(2) Recognition and measurement

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

J Financial assets (continued)

(2) Recognition and measurement (continued)

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

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

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2 M.

K Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has no derivative instruments that qualifying for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (All amounts in RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

L Inventories

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

M Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

N Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

O Share capital

Share capital consists of "A" and "B" ordinary shares.

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

P Trade payables

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

Q Borrowings

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

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

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2 Summary of significant accounting policies (continued)

R Current and deferred income tax

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

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

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

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

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

S Employee benefits

(1) Pension obligations

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

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

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2 Summary of significant accounting policies (continued)

S Employee benefits (continued)

(2) Housing fund and other benefits

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

(3) Profit sharing and bonus plan

The Group recognises a liability and expense for bonus plans based on a formula that takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

T Provisions

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

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

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

U Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(1) Sales of goods

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

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2 Summary of significant accounting policies (continued)

U Revenue recognition (continued)

(2) Interest income

Interest income is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(3) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

V Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

W Dividend distribution

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

X Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants not relating to future costs are recognised on receipt basis.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

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3 Financial risk management

3.1 Financial risk factors

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

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

(1) Market risk

(a) Currency risk

The Group is not significantly exposed to foreign exchange risk as all of its assets and liabilities are denominated in RMB except for an insignificant amount of bank deposits and borrowings which are denominated in U.S. dollar, UK pound and Japanese Yen.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2009, substantially all of its bank deposits and borrowings were at fixed rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 30 June 2009, if the interest rate of the Group's bank deposits had been increased/decreased by 10% and all other variables were held constant, the Group's net profit and owners' equity would increase/decrease by RMB1,727,000 for the six months ended 30 June 2009.

As at 30 June 2009, if the interest rate of the Group's bank borrowings had been increased/decreased by 10% and all other variables were held constant, the Group's net profit and owners' equity would decrease/increase by RMB112,000 for the six months ended 30 June 2009.

(2) Credit risk

The Group does not have a significant exposure to any individual customer or counterparty.

As at 30 June 2009, the Group had cash deposits of approximately RMB91,928,000 (2008: RMB75,238,000) placed with Jiangling Motor Group Finance Company ("JMCF"), which is a non-bank financial institution and a subsidiary of JMCG (Note 13). The Group's other bank deposits are deposited in major banks which are state-owned entities incorporated in the PRC. Management believes all these financial institutions have high credit quality without significant credit risk.

As at 30 June 2009, notes receivable were all bank acceptance notes issued by reputable banks in the PRC, which is considered by management without significant credit risk.

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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

All the Group's trade and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limit and terms are reviewed on periodic basis, and the financial department is responsible for such monitoring procedures. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks is minimal as all customers have no default in the past and adequate allowance for doubtful debts, if any, has been made in the financial statements after assessing the collectability of individual debts. Further quantitative disclosures in respect of the impairment of trade and other receivables are set out in Note 12.

(3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors the Group's undrawn borrowing facility (Note 16) and cash and cash equivalents (Note 13) on the regular basis of expected cash flow.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 16. Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB '000	Between 1 and 2 years RMB '000	Between 2 and 5 years RMB '000	Over 5 years RMB '000
At 30 June 2009				
Bank borrowings				
- Principals	25,447	447	1,342	6,040
- Interests	703	116	307	634
Trade and other payables	2,442,146	-	-	-
	<u>2,468,296</u>	<u>563</u>	<u>1,649</u>	<u>6,674</u>
At 31 December 2008				
Bank borrowings				
- Principals	39,117	448	1,343	6,265
- Interests	906	119	317	681
Trade and other payables	1,580,530	-	-	-
	<u>1,620,553</u>	<u>567</u>	<u>1,660</u>	<u>6,946</u>

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3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The gearing ratios at 30 June 2009 and 31 December 2008 were as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Total borrowings	33,276	47,173
Total equity	4,339,992	4,151,090
Total capital	<u>4,373,268</u>	<u>4,198,263</u>
Gearing ratio	<u>0.76%</u>	<u>1.12%</u>

3.3 Fair value estimation

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

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

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

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4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions

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

(1) Provisions

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

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

(2) Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 17.

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4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(3) Taxation

The Group is subject to various taxes in the PRC, e.g. profit tax, value added tax, consumption tax, etc. Significant judgment is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the tax provisions in the period such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

As at 30 June 2009, the Group has deferred tax assets in the amount of approximately RMB88,354,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provisions taken on inventory and receivables, accrued expenses and retirement benefit obligations. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax asset in the amount of approximately RMB5,334,000.

5 Change in accounting policy and its effect

Starting from 2008, the Group has voluntarily changed the accounting policy to recognise the Foreign Enterprise Income Tax ("FEIT") reduction in relation to the purchase of domestically produced equipment with the income tax liabilities upon the receipt of the notices from tax bureau for approval of income tax reduction, while FEIT reduction is recorded in the consolidated financial statements as at 30 June 2008 as deferred income and recognised as income on straight-line basis over the expected lives of the related assets.

As a result of this new policy, which has been applied retrospectively, the Group's profit after tax for the six months ended 30 June 2008 has increased by RMB 21,491,000 as a result of recognising the deferred income in full and the recognition of FEIT reduction entitled during the six months and the Group's equity as at 30 June 2008 has increased by RMB 53,282,000.

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6 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Others	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008							
Cost	654,535	1,806,859	59,923	706,159	886,340	661,343	4,775,159
Accumulated depreciation and impairment	(152,966)	(1,210,166)	(34,137)	(581,727)	(587,415)	(692)	(2,567,103)
Net book amount	501,569	596,693	25,786	124,432	298,925	660,651	2,208,056
Year ended 31 December 2008							
Opening net book amount	501,569	596,693	25,786	124,432	298,925	660,651	2,208,056
Additions	-	-	-	-	712	592,536	593,248
Transfers	53,683	264,784	11,911	249,906	193,543	(773,827)	-
Disposals	(18,877)	(615)	(1,080)	-	(479)	-	(21,051)
Other deduction	-	-	-	(239)	-	(185,148)	(185,387)
Impairment charge	-	(45)	-	-	(474)	-	(519)
Depreciation charge	(16,102)	(63,758)	(6,064)	(71,360)	(74,192)	-	(231,476)
Closing net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
At 31 December 2008							
Cost	682,944	2,056,176	66,936	955,826	1,057,654	294,904	5,114,440
Accumulated depreciation and impairment	(162,671)	(1,259,117)	(36,383)	(653,087)	(639,619)	(692)	(2,751,569)
Net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
Six month ended 30 June 2009							
Opening net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
Additions	-	-	-	-	27	136,610	136,637
Transfers	12,376	58,233	3,051	14,490	17,363	(105,513)	-
Disposals	-	(257)	(130)	(308)	(254)	-	(949)
Other deduction	-	-	-	-	-	(7,176)	(7,176)
Impairment charge	-	-	-	-	-	-	-
Depreciation charge (Note 21,28)	(9,168)	(42,574)	(3,631)	(41,180)	(40,990)	-	(137,543)
Closing net book amount	523,481	812,461	29,843	275,741	394,181	318,133	2,353,840
At 30 June 2009							
Cost	695,320	2,112,011	69,149	969,632	1,069,104	318,825	5,234,041
Accumulated depreciation and impairment	(171,839)	(1,299,550)	(39,306)	(693,891)	(674,923)	(692)	(2,880,201)
Net book amount	523,481	812,461	29,843	275,741	394,181	318,133	2,353,840

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6 Property, plant and equipment (continued)

For the six months ended 30 June 2009, depreciation expense of approximately RMB118,423,000 (the six months ended 30 June 2008: RMB96,245,000) was charged in cost of sales, RMB606,000 (the six months ended 30 June 2008: RMB869,000) in distribution costs and RMB18,514,000 (the six months ended 30 June 2008: RMB13,692,000) in administrative expenses.

7 Lease prepayment

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

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Opening net book amount	290,916	139,813
Addition	1,974	171,324
Disposals	-	(14,848)
Amortisation charge (Note 21,28)	(5,236)	(5,373)
Closing net book amount	<u>287,654</u>	<u>290,916</u>
Cost	329,863	327,889
Accumulated amortisation	<u>(42,209)</u>	<u>(36,973)</u>
Net book amount	<u>287,654</u>	<u>290,916</u>

All amortisation expense was charged in administrative expenses.

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8 Intangible assets

	After-sale management model RMB'000	Software RMB'000	Other RMB'000	Total RMB'000
Year ended 31 December 2008				
Opening net book amount	29,274	5,447	1,266	35,987
Addition	-	7,891	-	7,891
Amortisation charge	(6,162)	(1,769)	(267)	(8,198)
Closing net book amount	<u>23,112</u>	<u>11,569</u>	<u>999</u>	<u>35,680</u>
At 31 December 2008				
Cost	36,978	13,523	1,600	52,101
Accumulated amortisation	<u>(13,866)</u>	<u>(1,954)</u>	<u>(601)</u>	<u>(16,421)</u>
Net book amount	<u>23,112</u>	<u>11,569</u>	<u>999</u>	<u>35,680</u>
Six month ended 30 June 2009				
Opening net book amount	23,112	11,569	999	35,680
Addition	-	2,747	-	2,747
Amortisation charge (Note 21, 28)	(3,082)	(1,453)	(132)	(4,667)
Closing net book amount	<u>20,030</u>	<u>12,863</u>	<u>867</u>	<u>33,760</u>
At 30 June 2009				
Cost	36,979	16,269	1,599	54,847
Accumulated amortisation	<u>(16,949)</u>	<u>(3,406)</u>	<u>(732)</u>	<u>(21,087)</u>
Net book amount	<u>20,030</u>	<u>12,863</u>	<u>867</u>	<u>33,760</u>

For the six months ended 30 June 2009, amortisation expense of approximately RMB4,565,000 (the six months ended 30 June 2008: RMB3,867,000) was charged in administrative expenses and RMB102,000 in distribution costs (the six months ended 30 June 2008: RMB 69,000).

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9 Investments in associate

- (a) Movement of investment in associate is set out as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the period / year	16,136	17,764
Share of profit (Note 28)	1,917	5,316
Dividends receivables	(4,294)	(6,944)
Dividends received	-	-
At end of the period / year	<u>13,759</u>	<u>16,136</u>

In March 1996, the Company entered into a Sino-foreign equity joint venture agreement with Visteon International Holding Co., Ltd. ("Visteon") to form Jiangxi Fuchang Climate Systems Co., Ltd. ("Jiangxi Fuchang"). The tenure of Jiangxi Fuchang is 30 years, and its principal activities include manufacture and sale of air-conditioners and spare parts for motor vehicles. On 1 June 2008, Visteon transferred its equity interests of Jiangxi Fuchang to Visteon Motor Climate Control Holding (Hong Kong) Co., Ltd. ("Visteon Hong Kong"), a subsidiary of Visteon, and Jiangxi Fuchang was renamed as Visteon Climate Control (Nanchang) Co., Ltd. ("Visteon Climate Control Nanchang").

Visteon Climate Control Nanchang has a registered capital of USD5.6 million, of which Visteon Hong Kong has an 80.85% interest and the Company has the remaining 19.15% interest. As the Company has 2 out of 6 seats in the board, Visteon Climate Control Nanchang is regarded as a 19.15% owned associate of the Company.

- (b) The Group's share of assets, liabilities, revenue and results of its associates are as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Total assets	25,383	22,159
Total liabilities	(11,624)	(6,023)
Net assets	<u>13,759</u>	<u>16,136</u>

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Revenue	16,071	18,810
Profit for the period	<u>1,917</u>	<u>3,494</u>

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10 Deferred income tax assets

Deferred income taxes are calculated in full on temporary differences under the liability method using applicable tax rate as stated in Note 25(a).

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

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
At beginning of the period / year	105,233	107,902
Credit/(charged) to income statement (Note 25)	4,280	(2,669)
At end of the period /year	<u>109,513</u>	<u>105,233</u>

	Provision for Retirement impairment of	benefits obligation	Accrued expenses	Depreciation of property, plant and equipment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	5,411	13,963	70,665	9,770	8,093	107,902
Credited/(charged) to the income statement	(2,883)	623	1,151	903	(2,463)	(2,669)
At 31 December 2008	2,528	14,586	71,816	10,673	5,630	105,233
Credited/(charged) to the income statement	(471)	(4,080)	(5,486)	(11,684)	4,842	(16,879)
At 30 June 2009	<u>2,057</u>	<u>10,506</u>	<u>66,330</u>	<u>(1,011)</u>	<u>10,472</u>	<u>88,354</u>

The amounts shown in the balance sheet include the followings:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 months	<u>10,407</u>	<u>15,083</u>

As at 30 June 2009, the subsidiary of the Group did not recognise deferred tax assets of RMB3,106,000 in respect of the FEIT reduction in relation to the purchase of domestically produced equipment amounting to RMB17,257,000, among which the amount of RMB2,129,000 will be expired at the end of 2011, the amount of RMB10,783,000 will be expired at the end of 2012 and the remaining RMB4,345,000 will be expired at the end of 2013, as management believes it is more than likely that such FEIT reduction would not be utilised before they expire.

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11 Inventories

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Raw materials	451,616	619,757
Work in progress	154,347	85,652
Finished goods	244,532	352,464
	<u>850,495</u>	<u>1,057,873</u>

12 Trade and other receivables

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Trade receivables	158,261	168,077
Less: Provision for impairment of trade receivables	(791)	(841)
Trade receivables – net	<u>157,470</u>	<u>167,236</u>
Notes receivables	51,553	220,609
Other receivables	10,460	42,749
Less: Provision for impairment of other receivables	(56)	(60)
Other receivables – net	<u>10,404</u>	<u>42,689</u>
Prepayments	124,910	145,683
Dividends receivables	4,294	6,944
	<u>348,631</u>	<u>583,161</u>

Refer to Note 31 for details of receivables from related parties.

The carrying amounts of accounts receivable approximate their fair values.

As at 30 June 2009, trade and other receivables of approximately RMB847,000 (31 December 2008: RMB901,000) were impaired and provided for.

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

	30 June 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the period / year	(901)	(1,758)
Reversal for impairment of receivables	54	641
Receivables written-off during the period as uncollectible	-	216
At end of period / year	<u>(847)</u>	<u>(901)</u>

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12 Trade and other receivables (continued)

Trade receivables that are past due are not considered impaired except the amount of approximately RMB847,000. As at 30 June 2009, trade receivables of RMB1,742,000 (31 December 2008: RMB3,113,000) were past due but not impaired. The aging analysis of these trade receivables is as below:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Up to three months	<u>1,742</u>	<u>3,113</u>

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

13 Cash and cash equivalents

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Cash at bank and in hand	1,078,161	662,474
Short-term bank deposits (a)	<u>2,000,674</u>	<u>849,134</u>
	<u>3,078,835</u>	<u>1,511,608</u>

As at 30 June 2009, the Group had cash deposits of approximately RMB91,928,000 (31 December 2008: RMB75,238,000) placed with Jiangling Motor Group Finance Company ("JMCF") (Note 31 (iii)). The interest rates range from 0.05% to 1.35% per annum (2008: 0.05% to 1.71%). JMCF, a non-bank financial institution, is a subsidiary of JMCG.

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

14 Share capital

	Number of shares (thousands)	Tradable shares			Total
		“A” shares		“B” shares	
		Restricted RMB'000	Non-restricted RMB'000	RMB'000	RMB'000
Year ended 31 December 2008					
Balance at 1 January 2008	863,214	316,693	202,521	344,000	863,214
Transfer	-	(45,321)	45,321	-	-
Balance at 31 December 2008	863,214	271,372	247,842	344,000	863,214
The six months ended 30 June 2009					
Balance at 1 January 2009	863,214	271,372	247,842	344,000	863,214
Transfer	-	(268,130)	268,130	-	-
Balance at 30 June 2009	863,214	3,242	515,972	344,000	863,214

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

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

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14 Share capital (continued)

In January 2006, the Company implemented the share reform scheme (the "Share Reform Scheme") in accordance with relevant PRC regulations after which the Company's shares would become tradable in the stock market.

With the approval from State-Owned Assets Supervision and Administration Committee of Guozichanquan [2006] No. 36, the shareholders of the Company approved the Share Reform Scheme on 16 January 2006.

On 25 January 2006, the change on the nature of the shares relating to the Share Reform Scheme was approved by the Ministry of Commerce of the PRC of Shangzipi [2006] No. 387.

According to the Share Reform Scheme, registered tradable A-share shareholders of the Company as at 13 February 2006 received cash consideration of RMB13.40 per 10 shares on 14 February 2006, and subsequently these previously non-tradable A shares became tradable with conditions.

15 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others (b)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 and 30 June 2009	431,607	18,627	7,416	457,650

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

No statutory surplus reserve fund was appropriated during the six months ended 30 June 2009. (2008: RMB15,319,000). As the balance of the statutory surplus reserve fund has reached 50% of the Company's share capital after the appropriation in 2008, there are no further appropriations to the statutory surplus reserve fund.

- (b) The Group owned 20% equity interests in Jiangxi Fujiang After-Sales Services Co., Ltd. ("Jiangxi Fujiang") prior to 30 September 2006 and has been accounted for as an associate of the Group. On 30 September 2006, the Group acquired the remaining 80% equity interests in Jiangxi Fujiang. Thereafter, Jiangxi Fujiang became wholly owned by the Group. In this connection, the difference between the carrying amount of Jiangxi Fujiang and the attributable share of the fair value of Jiangxi Fujiang before this acquisition is recorded as "other reserve" in 2006.

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16 Borrowings

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Current		
Bank borrowings		
- secured (a)	447	448
- unsecured	25,000	38,669
	<u>25,447</u>	<u>39,117</u>
Non-current		
Bank borrowings - secured (a)	7,829	8,056
	<u>7,829</u>	<u>8,056</u>
Total borrowings	<u>33,276</u>	<u>47,173</u>

- (a) Bank borrowings of USD1,211,457 (equivalent to approximately RMB8,277,000) (31 December 2008: USD1,244,199, equivalent to approximately RMB8,504,000) were guaranteed by JMCF (Note 31 (v)).

The interest rate of bank borrowings is ranging from 1.5% to 6.72% per annum (2008: 1.50% to 6.99%).

The fair value of borrowings approximates their carrying values.

The maturity of non-current borrowings is as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Between 1 and 2 years	447	448
Between 2 and 5 years	1,342	1,343
Over 5 years	6,040	6,265
	<u>7,829</u>	<u>8,056</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
RMB	25,000	25,000
US dollar	8,276	22,173
	<u>33,276</u>	<u>47,173</u>

The Group has the following undrawn borrowing facilities:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Fixed rate		
- Expiring within one year	2,053,366	1,156,138
	<u>2,053,366</u>	<u>1,156,138</u>

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17 Retirement benefits obligations

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet is as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Present value of defined benefits obligations		
Defined benefit obligations	84,443	88,633
Unrecognised past service cost	-	(2,727)
Liability on the balance sheet	<u>84,443</u>	<u>85,906</u>

The movement of early retirement and supplemental benefit obligations for the six months ended 30 June 2009 is as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the period / year	85,906	84,691
For the year		
-Current service cost	5,965	346
-Interest cost	-	3,501
-Payment	(7,428)	(15,021)
-Past service cost	-	2,850
-Actuarial loss/(gains)	-	9,539
At end of the period / year	<u>84,443</u>	<u>85,906</u>
Current	13,950	13,304
Non-current	<u>70,493</u>	<u>72,602</u>
	<u>84,443</u>	<u>85,906</u>

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

- (1) Discount rate adopted: 3.25% (2008: 3.25%)
- (2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 5% (2008: 0% to 5%)
- (3) Mortality: average life expectancy of residents in the PRC

Based on the assessment and IAS 19, the Group estimated that, at 30 June 2009, a provision of RMB84,443,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB84,443,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB13,950,000 (2008: RMB13,304,000) has been included under current liabilities.

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 3.2%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.9%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 1.1%

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The movement on the warranty provisions is as follows:

	30 June 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the period / year	99,079	106,910
Charged for the period / year	48,836	66,101
Utilised during the period / year	(35,981)	(73,932)
At end of the period / year	<u>111,934</u>	<u>99,079</u>

The above represents the warranty costs for repairs and maintenance, which are estimated based on present after-sale service policies and prior years' experience on the incurrence of such cost. The warranty period is the sooner of two years and fifty thousand kilometres since the motor vehicles are sold to consumer.

19 Trade and other payables

	30 June 2009	31 December 2008
	RMB'000	RMB'000
Trade payables	1,565,707	1,024,072
Payroll and welfare payable	74,444	98,710
Dividend payables	263,881	4,930
Other payables	473,696	396,841
Provision related to distribution costs	64,418	55,977
	<u>2,442,146</u>	<u>1,580,530</u>

Refer to Note 31 for details of amount due to related parties.

20 Revenue

The Group principally derives its turnover from the manufacture, assembly and sale of automobiles, related spare parts and components, and sales are made principally in the PRC. Revenue represents the total invoiced value of goods supplied to customers, net of value-added tax, returns and allowances. Accordingly, no segment information is presented.

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21 Expenses by nature

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000 (restated)
Raw materials and consumables used	3,162,136	3,130,720
Employee benefit expenses (Note 22)	254,069	232,693
Depreciation on property, plant and equipment (Note 6,28)	137,543	110,806
Repairs and maintenance expenditure on property, plant and equipment	19,169	19,802
Research and development expenditure	108,900	111,177
Amortisation of lease prepayment (Note 7,28)	5,236	2,048
Amortisation of intangible assets (Note 8,28)	4,667	3,936
Impairment charges for inventory (Note 28)	183	315
Reversal of receivables and other receivables (Note 12,28)	(54)	(186)
Provision of warranty	48,836	35,288
Others	383,759	429,554
Total cost of sales, distribution costs and administrative expenses	<u>4,124,444</u>	<u>4,076,153</u>

22 Employee benefit expenses

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	194,909	185,452
Social security costs	14,695	12,167
Pension costs – defined contribution plans	21,625	18,664
Pension costs – defined benefit plan (Note 17)	5,965	-
Others	16,875	16,410
	<u>254,069</u>	<u>232,693</u>

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

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

23 Other income

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Government grants	-	164,417
Others	2,293	2,410
	<u>2,293</u>	<u>166,827</u>

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24 Finance income and cost

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
(a) Finance income		
Interest income on bank deposits	20,314	17,783
Interest income on credit sales	1,470	8,159
	<u>21,784</u>	<u>25,942</u>
(b) Finance cost		
Interest expense on bank loans	(1,314)	(1,239)
Bank charges	(166)	(181)
	<u>(1,480)</u>	<u>(1,420)</u>
Net finance income	<u>20,304</u>	<u>24,522</u>

25 Taxation**(a) Enterprise income tax ("EIT")**

Jiangling Motors Corporation, Ltd. has been recognized as a Jiangxi Province hi-tech enterprise upon the approval of the Gan Ke Fa Gao [2009] No. 143 Circular jointly promulgated by Jiangxi Province Department of Science and Technology, Jiangxi Province Department of Finance, Jiangxi Province Office of State Administration of Taxation, Jiangxi Province Office of Local Taxation. The hi-tech enterprise qualification to the Company will be valid for three years (from April 15, 2009 to April 14, 2012), and the Company will enjoy an enterprise income tax preferential policy during the period from January 1, 2009 to December 31, 2011.

For the six months ended 30 June 2009, the Company applicable EIT rate is 15%.

In March 2007, the PRC Government passed the China Corporate Income Tax Law ("CIT Law"). Under the CIT Law, the enterprise income tax ("EIT") for domestic invested enterprises and foreign invested enterprises are combined into one and the new EIT rate is 25%, which has become effective on 1 January 2008. The new EIT rate of 25% is gradually effective in a 5 years period for enterprises. According to the Notice of enterprise income tax rate transition regulation issued by the State Council of the PRC, the Jiangling Isuzu applied 18% EIT rate in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

For the six months ended 30 June 2009, the Jiangling Isuzu applicable EIT rate is 20%.

The amounts of income tax expense charged to the income statements represented:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000 (restated)
Current tax	(81,526)	(85,623)
Deferred tax (Note 10)	(16,879)	(2,386)
	<u>(98,405)</u>	<u>(88,009)</u>

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25 Taxation (continued)

(a) Enterprise income tax ("EIT") (continued)

The difference between the actual income tax charge in the income statements and the amounts which result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000 (restated)
Profit before tax	546,271	623,991
Tax calculated	(86,464)	(112,318)
Tax concessions	10,603	-
Expense not deductible for tax purposes	(1,082)	(543)
Income not subject to tax	950	24,762
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	(22,412)	90
Tax charge	<u>(98,405)</u>	<u>(88,009)</u>

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

Output VAT is levied at a general rate of 17% on the selling price of goods. Input VAT paid on purchase of goods can be used to offset the output VAT to determine the net VAT payable.

(c) Consumption Tax ("CT")

The Group's automobile sale is subject to CT at 5% on the selling price of goods.

26 Earnings per share

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

	Six months ended 30 June	
	2009	2008
		(restated)
Profit attributable to equity holders of the Company (RMB '000)	429,852	530,488
Weighted average number of ordinary shares in issue (thousands)	863,214	863,214
Basic earnings per share	<u>0.50</u>	<u>0.61</u>

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2009.

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27 Dividends

A final dividend for 2008, amounting to a total dividend of RMB258,964,200 has been approved at the Shareholders' Meeting on 25 June 2009 (RMB0.3 per share).

28 Cash generated from operations

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000 (restated)
Profit before tax	546,271	623,991
Depreciation (Note 6,21)	137,543	110,806
Amortisation of lease prepayment (Note 7,21)	5,236	2,048
Amortisation of intangible assets (Note 8,21)	4,667	3,936
Reversal of receivables and other receivables (Note 12,21)	(54)	(186)
Impairment for write-down of inventory (Note 21)	183	315
Gain on disposals of PPE and lease prepayment	(1,311)	(71)
Interest expense (Note 24)	1,480	1,420
Interest income (Note 24)	(21,784)	(25,942)
Net foreign exchange transaction gain	(26)	(2,094)
Share of profit of associates (Note 9)	(1,917)	(3,494)
Investment income of held-to-maturity investment	-	(539)
Changes in working capital:		
- Decrease/(increase) in inventories	207,195	(214,890)
- Decrease/(increase) in trade and other receivables	199,520	(166,061)
- Increase in warranty provisions	12,855	2,833
- Increase in trade and other payables	658,082	39,936
- Decrease in pensions and other retirement benefits	(1,463)	(7,932)
Cash generated from operations	1,746,477	364,076

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Net book amount	678	1,093
Gain on disposal of PPE and lease prepayment	1,311	71
Proceeds from disposal of property, plant and equipment	1,989	1,164

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29 Contingencies

At 30 June 2009, the Group did not have any significant contingent liabilities.

30 Commitments

Capital commitments

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

	<u>30 June 2009</u>	<u>31 December 2008</u>
	RMB'000	RMB'000
Contracted but not provided for:		
Purchases of buildings, plant and machinery	<u>375,164</u>	<u>430,000</u>

31 Related party transactions

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

Jiangling Motor Holdings Co., Ltd. ("JMH"), which owns 41.03% of the Company's shares, and Ford, which owns 30% of the Company's shares, are major shareholders of the Company as at 30 June 2009. In addition, Chongqing Changan Automobile Corporation Ltd. ("Changan Auto") and JMCG hold 50% equity interest of JMH, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, Changan Auto and its subsidiaries, JMCG and its subsidiaries, Ford and its subsidiaries in the ordinary course of business during the six months ended 30 June 2009 and 2008:

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31 Related party transactions (continued)

For the six months ended 30 June 2009, related parties, other than the subsidiary, and their relationship with the Group are as follow:

Name of related Party	Relationship
JMCG	Shareholder of JMH; the same Chairman as the Company's
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford Trading Company	Subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Subsidiary of Ford
Ford Global Technologies, LLC	Subsidiary of Ford
Ford Otosan Company	Subsidiary of Ford
Ford Motor Company of Australia Limited	Subsidiary of Ford
JMCG Interior Trim Factory	Subsidiary of JMCG
Jiangxi JMCG Industrial Co.	Subsidiary of JMCG
JMCG Property Co.	Subsidiary of JMCG
Jiangxi Jiangling Chassis Company	Subsidiary of JMCG
Jiangling Material Co.	Subsidiary of JMCG
Land Wind Sales Company	Subsidiary of JMH
JMCG Import & Export Co., Ltd.	Subsidiary of JMCG
Nanchang Gear Co., Ltd.	Subsidiary of JMCG
Jiangling-Lear Interior Trim Factory	Subsidiary of JMCG
Nanchang Jiangling Hua Xiang Auto Components Co.	Subsidiary of JMCG
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Jiangling Metal Casting Co.	Subsidiary of JMCG
Jiangling Auto Component Co.	Subsidiary of JMCG
Jiangxi Jiangling Material Utilization Co., Ltd.	Subsidiary of JMCG
JMCG Industry Co. Printing Plant	Subsidiary of JMCG
JMCG Industrial Co. Shangrao Motor parts Plant	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchun Auto Component Co.	Subsidiary of JMCG
Jiangling New-power Auto manufacturing Co.	Subsidiary of JMCG
Jiangling Overseas Motors Sales&Service Co., Ltd.	Subsidiary of JMCG
JMCG Hequn Costume Co., Ltd.	Associate of JMCG
Nanchang JMCG Liancheng Auto Component Co.	The same Chairman as the Company's
Visteon Climate Control Nanchang	Associate of the Company
GETRAG (Jiangxi) Transmission Company	Joint venture of Ford, GETRAG Corporate Group and JMCG
GETRAG Ford Transmissions GmbH	Joint venture of Ford and GETRAG Corporate Group
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Joint venture of JMCG and Shanghai Baogang International Economic Trade Co., Ltd
Jiangxi JMCG Aowei Auto Component Co.	Subsidiary of JMCG
Nanchang JMCG Tianren Auto Component Co.	Associate of JMCG

JIANGLING MOTORS CORPORATION, LTD.**FOR THE SIX MONTHS ENDED 30 JUNE 2009****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)**i) Purchases of goods, provision of services**

Purchase of goods	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
JMCG	71,095	75,972
Ford	79,867	177,319
JMCG Interior Trim Factory	128,737	123,894
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	42,865	39,891
Jiangxi JMCG Industrial Co.	25,522	62,173
Jiangling Material Co.	14,270	18,764
Visteon Climate Control Nanchang	52,593	59,623
Jiangxi Jiangling Chassis Company	149,328	152,451
Jiangling-Lear Interior Trim Factory	83,290	85,000
Jiangling Metal Casting Co.	6,382	7,483
Nanchang Gear Co., Ltd.	3,078	3,013
Nanchang Jiangling Hua Xiang Auto Components Co.	40,346	37,452
Jiangling Auto Component Co.	4,423	4,167
Ford Trading Company	-	46,950
JMCG Industrial Co. Shangrao Motor parts Plant	1,558	2,359
GETRAG (Jiangxi) Transmission Company	117,157	117,422
Ford Otosan Company	480	3,552
Nanchang JMCG Liancheng Auto Component Co.	34,878	30,969
JMCG Hequn Costume Co., Ltd.	1,024	2,005
GETRAG Ford Transmissions GmbH	-	3,839
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	145,755	126,929
Nanchang JMCG Xinchun Auto Component Co.	6,972	166
Nanchang JMCG Tianren Auto Component Co.	1,275	32
Jiangxi JMCG Aowei Auto Component Co.	10,206	-
Others	952	1,187
	1,022,053	1,182,612

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)

i) Purchases of goods, provision of services (continued)

Provision of services and others	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.		
- commission expenses	2,337	1,072
JMCG		
- services (a)	485	990
- rental expense	1,620	1,550
- other	118	112
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.		
- services	2,282	21
Ford Motor Company of Australia Limited		
- services	1,156	-
Ford Motor (China) Co., Ltd.		
- services	1,684	-
Ford		
- services	5,730	10,065
JMCG Jiangxi Engineering Construction Co., Ltd.		
- services	14,507	8,127
Jiangling-Lear Interior Trim Factory		
- services	1,680	288
GETRAG (Jiangxi) Transmission Company		
- services	12	9,000
Jiangxi JMCG Industrial Co.		
- services	5,598	5,545
Ford Motor Research & Engineering (Nanjing) Co., Ltd.		
- services	2,019	-
Visteon Climate Control Nanchang		
- services	1,249	-
Others	2,494	1,123
	<u>42,971</u>	<u>37,893</u>

- (a) JMCG bears the middle school and primary school educational fees of existing employees and certain retired employees' expenses of the Group, and provides services such as cable television. The related costs were borne by the Group according to agreed percentages as determined by headcount ratio of the Group and JMCG.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)

i) Purchases of goods, provision of services (continued)

Purchases of property, plant and equipment	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Visteon Climate Control Nanchang	500	-
Others	400	240
	<u>900</u>	<u>240</u>

Sales of property, plant and equipment	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Nanchang JMCG Liancheng Auto Component Co.	1,280	-
	<u>1,280</u>	<u>-</u>

ii) Sales of goods and provision of services

Sales of goods	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	196,530	372,815
JMCG Interior Trim Factory	21,404	18,399
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	47,543	61,317
JMCG Property Co.	3,191	3,062
Jiangxi JMCG Industrial Co.	4,929	40,084
Jiangxi Jiangling Chassis Company	8,380	9,000
Land Wind Sales Company	847	1,137
Jiangxi Jiangling Material Utilization Co., Ltd.	14,751	22,409
JMH	20,419	31,474
GETRAG (Jiangxi) Transmission Company	4,687	18,267
Nanchang JMCG Liancheng Auto Component Co.	8,334	6,300
Jiangling New-power Auto manufacturing Co.	4,846	825
Others	4,038	1,670
	<u>339,899</u>	<u>586,759</u>

Rental income	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Jiangling Material Co.	132	132
Others	-	11
	<u>132</u>	<u>143</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)

iii) Balances arising from sales/purchases of goods/services

Trade receivables from related parties	30 June 2009	31 December 2008
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	15,400	1,812
JMH	2,645	471
Jiangxi Jiangling Material Utilization Co., Ltd.	1,962	2,322
Nanchang JMCG Liancheng Auto Component Co.	5,584	3,199
Jiangling New-power Auto manufacturing Co.	1,641	1,126
Others	316	517
	<u>27,548</u>	<u>9,447</u>
Other receivables from related parties	30 June 2009	31 December 2008
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	1,364	1,910
Others	600	600
	<u>1,964</u>	<u>2,510</u>
Prepayment for purchasing of goods	30 June 2009	31 December 2008
	RMB'000	RMB'000
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	91,145	119,121
JMCG Import & Export Co., Ltd.	5,454	10,616
	<u>96,599</u>	<u>129,737</u>
Prepayment for construction in progress	30 June 2009	31 December 2008
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	-	3,789
JMCG Jiangxi Engineering Construction Co., Ltd.	12,424	1,800
Others	400	-
	<u>12,824</u>	<u>5,589</u>

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)

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

Trade payables to related parties	30 June 2009	31 December 2008
	RMB'000	RMB'000
JMCG Interior Trim Factory	53,706	48,027
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	58,962	48,894
Jiangling-Lear Interior Trim Factory	60,906	40,518
Visteon Climate Control Nanchang	24,852	22,614
JMCG	35,248	19,441
Jiangxi Jiangling Chassis Company	77,231	49,252
Nanchang Gear Co., Ltd.	2,210	1,634
Nanchang Jiangling Hua Xiang Auto Components Co.	28,008	17,217
Jiangling Metal Casting Co.	3,105	2,632
Jiangxi JMCG Industrial Co.	13,804	12,922
Jiangling Auto Component Co.	2,739	1,284
JMCG Import & Export Co., Ltd.	154	1,984
GETRAG (Jiangxi) Transmission Company	53,777	37,711
Nanchang JMCG Liancheng Auto Component Co.	24,744	14,466
Ford	25,606	7,171
Nanchang JMCG Xinchun Auto Component Co.	3,639	3,066
Jiangxi JMCG Aowei Auto Component Co.	9,563	-
Others	3,086	2,217
	481,340	331,050
Other payables to related parties	30 June 2009	31 December 2008
	RMB'000	RMB'000
Ford	43,901	83,804
Ford Otosan Company	2,234	6,992
Ford Motor (China) Co., Ltd.	2,634	3,041
GETRAG (Jiangxi) Transmission Company	1,012	10,500
JMCG Jiangxi Engineering Construction Co., Ltd.	1,755	5,584
Jiangling-Lear Interior Trim Factory	1,680	-
Ford Motor Company of Australia Limited	2,244	1,448
Ford Global Technologies, LLC	3,718	10,093
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	1,907	1,945
Nanchang JMCG Liancheng Auto Component Co.	1,776	2,543
JMCG	1,538	66
Nanchang Jiangling Hua Xiang Auto Components Co.	2,650	-
Others	3,916	4,614
	70,965	130,630

JIANGLING MOTORS CORPORATION, LTD.**FOR THE SIX MONTHS ENDED 30 JUNE 2009****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

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

Advance form related parties	30 June 2009	31 December 2008
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	613	4,280
Others	161	114
	<u>774</u>	<u>4,394</u>
Cash deposit in related parties	30 June 2009	31 December 2008
	RMB'000	RMB'000
JMCF (Note 13)	<u>91,928</u>	<u>75,238</u>

iv) Service fee paid to Ford, Ford Otosan Company and JMH for management staff

Pursuant to an agreement among the Company, Ford, Ford Otosan Company and Ford Motor (China) Co., Ltd. in 2008, some employees of Ford, Ford Otosan Company and Ford Motor (China) Co., Ltd. were assigned to the Company as management staff. During the six months ended 30 June 2009, the Company should pay approximately USD1,688,000 (equivalent to approximately RMB11,532,000), USD160,000 (equivalent to approximately RMB1,093,000) and RMB1,170,000 to Ford, Ford Otosan Company and Ford Motor (China) Co., Ltd. as service fee for these employees respectively.

Pursuant to an agreement between the Company and JMH in January 2009, some employees of JMH were assigned to the Company as management staff. During the six months ended 30 June 2009, the Company should pay approximately RMB349,000 to JMH as service fee for these employees.

v) Guarantee

As at 30 June 2009, bank loans of USD1,211,457 (equivalent to approximately RMB8,277,000) (2008: USD1,244,199, equivalent to approximately RMB8,504,000) were guaranteed by JMCF (Note 16).

vi) Key management remuneration

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and members of the Supervisory Board. During the six months ended 30 June 2009, the total remuneration of the key management was about RMB4,154,000 (six months ended 30 June 2008: RMB4,429,000).

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)

vii) Royalty fee

Pursuant to the joint development agreement, the Company agreed the payment of royalty fee to Ford at 1.8% of sale value of VE83 series automobiles with a maximum payment amount of USD40,000,000. As at 30 June 2009, the Company has paid all the royalty fee.

Pursuant to a development agreement among the Company, Ford, Ford Global Technologies, LLC and Ford Otosan Company in 2008, the Company agreed the payment of royalty fee to Ford at 2.6% of V348 series automobiles net sale till production stopped. The 67.31% and 32.69% of total royalty fee will be paid to Ford Global Technologies, LLC and Ford Otosan Company respectively. During the six months ended 30 June 2009, the total royalty fee due to Ford Global Technologies, LLC and Ford Otosan Company was approximately USD1,496,000 (equivalent to approximately RMB10,224,000). As at 30 June 2009, The outstanding amount of approximately USD898,000 will be paid in future.

viii) Transaction with other state-owned entities

The Group's largest shareholder is JMH, which was established by state-owned enterprises, Changan Auto and JMCG, with the equity interests of 50% and 50%, respectively. The Group is thereby considered to be significantly influenced by the PRC Government, which controls a substantial number of entities in the PRC. For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned entities. Many state-owned entities have multi-layered corporate structure and the ownership structures change overtime. Nevertheless the Management believes that meaningful information relating to such kind of related parties transactions has been adequately disclosed.

Transactions with other state-owned entities

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Purchase of goods	325,080	499,825
Purchase of fixed assets	8,169	23,189
Purchase of services	8,649	11,325
Sales of goods	10,676	466
Interest income	19,157	16,815
Interest expense	1,314	1,240
Borrowings	35,000	39,107
Repayment of borrowings	48,901	39,336

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2009
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB unless otherwise stated)

31 Related party transactions (continued)

viii) Transaction with other state-owned entities (continued)

Balances with other state-owned entities

	30 June 2009	31 December 2008
	<u>RMB'000</u>	<u>RMB'000</u>
Cash and cash equivalents	2,986,907	1,436,370
Borrowings	33,276	47,173
Trade and other receivables	29,366	13,940
Trade and other payables	<u>165,525</u>	<u>126,310</u>

32 Principal subsidiary

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

Entity	Place and date of incorporation	Percentage of equity interest held	Principal activities
Jiangling Isuzu	Nanchang, PRC / 10 March 1993	75%	Manufacture and sale of automobiles and spare parts

Section VII Catalog on Documents for reference

- I. Originals of 2009 half-year report signed by Chairman;
- I. Originals of 2009 half-year financial statements signed by Chairman, Chief Financial Officer and Chief of Finance Department;
- II. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC during the reporting period.
- III. The Half-year Report in China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
August 21, 2009