Jiangling Motors Corporation, Ltd.
2010 Half-year Report

Contents

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 Michael Joseph Brielmaier and Chief of Finance Department, Ding Ni, 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.

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.
Telephone: 0791-5266178
Fax: 0791-5232839
E-mail: relations@jmc.com.cn
Persons for financial information disclosure: Mr. Michael Joseph Brielmaier (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	9,856,982	8,294,346	18.84
Shareholder’s equity Attributable to the Equity Holders of the Company	5,460,484	4,843,947	12.73
Share Capital	863,214	863,214	0
Net Assets Per Share Attributable to the Equity Holders of the Company (RMB)	6.33	5.61	12.73
	Reporting period (2010 first half)*	Same period last year*	Change (%)
Revenue	7,675,817	4,722,446	62.54
Operating Profit	1,192,587	524,050	127.57
Profit Before Income Tax	1,237,702	546,271	126.57
Profit Attributable to the Equity Holders of the Company	1,039,512	429,852	141.83
Basic Earnings Per Share (RMB)	1.20	0.50	141.83
Diluted Earnings Per Share (RMB)	1.20	0.50	141.83
Weighted Average Return on Net Asset Ratio (%)	19.43	10.08	Up 9.35 percentage points
Net Cash Generated From Operating Activities	1,499,490	1,739,290	-13.79
Net Cash Flow Per Share from Operating Activities (RMB)	1.74	2.01	-13.79

*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, 2010	2010 First Half
As Prepared under the China GAAP**	5,462,901,108	1,041,929,277
Adjustment per IFRS:		
Staff bonus and welfare fund appropriated from net profit of a subsidiary	-2,417,005	-2,417,005
As Restated in Conformity with IFRS	5,460,484,103	1,039,512,272

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

Section II Share Capital Changes and Main Shareholders

I. There was no change in JMC's total shares and shareholding structure during the reporting period.

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

Total shareholders	JMC had 25,924 shareholders, including 18,896 A-share holders and 7,028 B-share holders, as of June 30, 2010.				
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	-	-
Bosera Thematic Sector Equity Securities Investment Fund	Domestic non -state-owned legal person	1.84	15,880,916		
Shanghai Automotive Co., Ltd.	State-owned legal person	1.51	13,019,610	-	-
Dragon Billion China Master Fund	Foreign legal person	1.12	9,684,488	-	-
Bosera Emerging Growth Securities Investment Fund	Domestic non -state-owned legal person	0.98	8,499,999	-	-
ChinaAMC Growth Securities Investment Fund	Domestic non -state-owned legal person	0.64	5,484,951	-	-
PICC Life Insurance Company Limited	State-owned legal person	0.61	5,298,970	-	-
China Life Insurance (Group) Company	State-owned legal person	0.61	5,276,172	-	-
National Social Security Fund- Portfolio 103	Domestic non -state-owned legal person	0.55	4,779,042	-	-

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
Bosera Thematic Sector Equity Securities Investment Fund	15,880,916	A share
Shanghai Automotive Co., Ltd.	13,019,610	A share
Dragon Billion China Master Fund	9,684,488	B share
Bosera Emerging Growth Securities Investment Fund	8,499,999	A share
ChinaAMC Growth Securities Investment Fund	5,484,951	A share

PICC Life Insurance Company Limited	5,298,970	A share
China Life Insurance (Group) Company	5,276,172	A share
National Social Security Fund- Portfolio 103	4,779,042	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 103 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

Senior Management Changes:

The Board of Directors accepted Mr. Ravichandran Swaminathan’s resignation from Vice President position with the Company due to work rotation on February 3, 2010.

Per President Yuan-Ching Chen’s nomination, the ninth session of the sixth Board of Directors appointed Mr. Wan Jianrong and Mr. Zhu Shuixing as Vice Presidents of the Company.

Section IV Management Discussion and Analysis

I. Operating Results

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

In First Half of 2010, JMC achieved record sales of 88,363 units including 34,157 JMC series light trucks, 28,979 JMC series pickups and SUV, and 25,227 Ford Transit series commercial vehicles. Total sales volume was up 66% from same period last year. Total production volume for the First Half was 84,068 units, including 31,326 JMC series light trucks, 27,769 JMC series pickups and SUV and 24,973 Transits.

The Company’s sales increase was boosted by industry growth and share increases. JMC series light truck sales volume increased 53% compared with same period last year, JMC series pickup and SUV sales volume increased 73%, while Transit sales volume increased by 77%.

In First Half of 2010, the Company achieved a share of about 2.4% of the Chinese commercial automotive market, increasing by 14% from same period last year. JMC has maintained or grown its share of the commercial vehicle in each segment in which it participates. JMC light trucks (including pickup) accounted for 5.8% of the light truck market, increasing by 14% from same period last year. Transit achieved a 17.8%

share of the light bus market, about 32% 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 in 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 (points)
I. Vehicles	7,098,194	5,263,094	25.9%	62.4	60	1.2
II. Components	492,769	360,500	26.8%	63.2	59	1.9
Total	7,590,963	5,623,594	25.9%	62.5	60	1.1
Involving: related party transactions	402,963	303,818	24.6%	35.6	25.7	5.9
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	388,559	74.4
North China	738,009	57.4
East China	3,804,848	64.4
South China	1,232,986	69.7
Central China	593,157	53.8
North-west China	332,001	46.6
South-west China	501,403	53.4

Revenue in First Half of 2010 was RMB 7,676 million, up 63% from the same period last year. Under International Financial Reporting Standards, net profits were RMB 1,040 million, up RMB 610 million from the same period last year. Higher profit derived from volume increases and cost reductions were partially offset by price reductions. Distribution cost was RMB 381 million, up 19% from the same period last year, primarily reflecting volume-related changes including vehicle delivery costs, warranty, promotion expenses and advertisement expenditures.

Cash flow from operations was RMB 1,499 million, reflecting increased profit and operating-related changes. Cash flow from investing activities was negative RMB 97 million, primarily reflecting capital expenditure in facilities, equipment and tooling. Financing cash flow was negative RMB 0.48 million, primarily reflecting bank charges.

At the end of June 2010, Company cash and cash equivalents totaled RMB 5,316 million, up RMB 1,402 million from the end of 2009. The balance of bank borrowing was RMB 33 million, down RMB 0.33 million from the end of 2009.

Total assets were RMB 9,857 million, up 19% from RMB 8,294 million at year-end 2009, primarily reflecting higher cash. The assets structure has become even healthier than a year ago.

Total liabilities were RMB 4,278 million, up RMB 931 million from at year-end 2009, primarily reflecting a dividend payment accrual and higher accounts payable due to higher production volume.

Shareholder equity, including minority interest, was RMB 5,579 million at June 30, 2010, up RMB 632 million from year-end 2009. This increase is primarily explained by net profit earned in the reporting period, partially offset by the dividend payment accrual.

III. Operational Challenges and Resolutions

In First Half of 2010, 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 segments. In response, the Company lowered the price for N600 light truck in Quarter 1, 2010. 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.

To pursue steady growth, the company continued to focus on (1) ensuring steady cash flow, (2) increasing market share and accelerating sales promotion to support both present and new products, (3) reducing component costs, (4) 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 (5) strengthening corporate governance and application of appropriate risk assessment and control mechanisms.

The company anticipates continued market pressures including raw material prices and labor cost increases, 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 costs and eliminate operating waste throughout the enterprise. Additionally, we are maximizing part sourcing localization and cost reduction for new products. The company’s management remains focused on (1) leveraging existing product platforms to generate new revenue streams, (2) introducing new products to penetrate into new segments, and (3) expanding production capacity as appropriate and consistent with market needs. 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 SUV and Pickup vehicle product which is developed independently), the N800 project (the next generation truck product which is developed independently), and the JX4D24, E802 engine manufacturing projects which support our vehicles with engines to meet future regulatory requirements. These actions will introduce competitive and profitable products into the light commercial vehicle market 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 2010, 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 Approval (RMB Mils)	Investment Committed (RMB Mils)	Investment To Be Committed (RMB Mils)	Planned Job#1 Date
N350	598.0	442.5	155.5	Second Half, 2011
JX4D24 Engine for N350	30.0	16.0	6.0	Second Half, 2010
N900	200.0	184.0	16.0	First Half, 2011
Stage IV JX493 Engine N Series Light Truck Program	25.2	11.9	10.0	First Half, 2011
N800	725.0	139.0	586.0	Second Half, 2014
V348 2010 MY Program	17.0	13.5	3.5	Second Half, 2010
V348 China Stage IV Heavy Duty Truck Program	59.0	48.0	9.0	Second Half, 2010
E802 Engine Program	419.0	34.0	385.0	First Half, 2012
A4 Press Line	384.0	296.9	87.1	First Half, 2010
JX4D24 Engine Phase II	315.0	1.6	313.4	Second Half, 2012
CAL Program	47.1	37.0	5.0	Second Half, 2010
Vehicle storage and delivery facility Phase I	35.0	17.0	16.0	Second Half, 2010
PDM Program	10.5	6.9	3.6	Second Half, 2010
V348 A4 Line Die Modification Program	10.0	2.8	7.2	Second Half, 2010
Stage V and VI Emissions Facilities Program	26.6	1.6	25.0	Second Half, 2010
Capacity Expansion Program	566.5	3.0	563.5	Second Half, 2013
V348 FVL KD Supply Program	8.5	0.9	7.6	First Half, 2011
N350 SUV AT Program	98.0	1.9	96.1	Second Half, 2012

2.2L Global Puma Engine 4C Localization Program	30.0	-	30.0	Second Half, 2012
Casting Plant Melting Technical Improvement Program	9.8	-	9.8	First Half, 2011
N330 Program Long Lead Funding	39.0	1.1	37.9	First Half, 2011
V348 Transit Emission Update Program Long Lead Funding	135.0	4.0	131.0	First Half, 2011
VE83 Transit Emission Update Program	7.5	-	7.5	Second Half, 2011
N800 Long Wheel Base Vehicle Program	91.0	-	91.0	First Half, 2013
Capacity Expansion in Xiaolan Site	2,133.0	-	2,133.0	First Half, 2013
IT Strategy Proposal	45.0	-	45.0	First Half, 2012
	6,064.7	1,263.6	4,780.7	

The Spending will be funded from cash reserves.

V. 2010 Second Half Year Plan

The Company is projecting revenue in the range of RMB 6 to 8 billion for the Second Half of 2010. Intensified competition resulting from new market entries and the launch of new models will require increased levels of marketing expense. 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. Launch N350 on schedule to further improve company and dealers' revenue and profits
iii. Work with technology partners to execute the N900, JX4D24, N350, N800, E802, V348 Heavy Duty Stage IV and Capacity Expansion in Xiaolan Site and component operations.
iv. Increase cost reduction efforts by focusing on customer value and eliminating waste.
v. Develop product plans to add new products for introduction in the Chinese market.
vi. Expand the export and OEM component sales business.

VI. Warning and explanations to the situation that accumulated net profit during the period from year beginning to the end of next reporting period may be negative or may be substantially changed compared with the same period last year

The Company is projecting a net profit about RMB 1.4 billion for the first nine months of 2010, up about 80% from the same period a year ago, primarily reflecting a substantial increase in sales volume while maintaining a strict control costs.

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 2009 Annual Shareholders' Meeting of the Company approved the 2009 calendar year profit distribution plan on June 30, 2010. Announcement of 2009 calendar year dividend distribution was published in China Securities, Securities Times and Hong Kong Commercial Daily on July 10, 2010, and it has been executed accordingly.

The 2009 calendar year dividend distribution plan was as follows:

Based on the Company's total share capital of 863,214,000 shares, a cash dividend of RMB 4.9 (including 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 4.41 per 10 shares; For other domestic residential 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.

Non-resident enterprises holding the Company's B share will receive an after-tax cash dividend of RMB 4.41 per 10 shares; For the B-share holders except non-resident enterprises, the Company will not withhold nor pay the income tax on their behalf.

The cash dividends on B shares shall be paid in Hong Kong Dollars converted at HKD1.00 = RMB0.8714, being the middle rate of the exchange rates between HK dollar and RMB quoted by the People's Bank of China on the first business day (July 1, 2010) immediately after the relevant resolutions were passed at the Company's Shareholders' Meeting.

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 had no major purchase or sale of assets 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)	As % of Total Purchases
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Contracted price	Prepayment	277,088	5.38%
GETRAG (Jiangxi) Transmission Company	Contracted price	60 days after delivery and invoicing	242,608	4.71%
JMCG Interior Trim Factory	Contracted price	60 days after delivery and invoicing	240,991	4.67%
Jiangxi Jiangling Chassis Company	Contracted price	60 days after delivery and invoicing	233,124	4.52%
Ford	Contracted price	D/P	159,495	3.09%
Jiangling-Lear Interior Trim Factory	Contracted price	60 days after delivery and invoicing	132,464	2.57%
NanchangJMCG Liancheng Auto Component Co.	Contracted price	60 days after delivery and invoicing	83,109	1.61%
Visteon Climate Control (Nanchang) Co., Ltd.	Contracted price	60 days after delivery and invoicing	78,312	1.52%
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	71,861	1.39%
JMCG	Contracted price	60 days after delivery and invoicing	61,535	1.19%
Nanchang Jiangling Huaxiang Auto Components Co.	Contracted price	60 days after delivery and invoicing	60,177	1.17%
Jiangxi JMCG Industrial Company	Contracted price	60 days after delivery and invoicing	34,301	0.67%
Jiangling Material Company	Contracted price	Pay on delivery	25,172	0.49%
Jiangxi JMCG Aowei Auto Component Co.	Contracted price	60 days after delivery and invoicing	15,001	0.29%

(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)	As % of Total Revenue
JMCG Import and Export Co., Ltd.	Contracted price	Receiving 40% in advance and clearance of the remains within 20 days after invoicing	237,742	3.10%
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	82,635	1.07%
JMCG Interior Trim Factory	Contracted price	Monthly Netting off payment of purchased goods	35,049	0.46%
JMH	Market price	30 days after invoicing	28,124	0.37%
Jiangxi Jiangling Material Utilization Co., Ltd.	Market price	Monthly settlement	27,432	0.36%
Jiangling New-power Auto Manufacturing Co.	Contracted price	30 days after invoicing	17,638	0.23%
Nanchang JMCG Liancheng Auto Component Co.	Contracted price	75 days after invoicing	17,356	0.23%

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) Management Compensations

Pursuant to revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates, in the firs half of 2010, the Company should pay US$ 1,437.5 thousand and RMB 1,302.5 thousand to Ford as service fee for expatriate secondees and Chinese secondees assigned by Ford.

Pursuant to an agreement between the Company and JMH on January 1, 2009, in the first half of 2010, the Company should pay approximately RMB 341 thousand to JMH as service fee for the employees assigned by JMH.

(4) Working Meal

In the first half of 2010, JMC paid RMB 7.55 million for working meal to Jiangxi JMCG Industrial Company.

(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 2010, JMC paid JMCG Import & Export Co., Ltd. commission of RMB 2.02 million pursuant to the Exclusive Import Agency Agreement signed by them.

(6) Project Construction and Maintenance
In the first half of 2010, JMC paid RMB 17.59 million for projection construction and maintenance to JMCG Jiangxi Engineering Construction Co., Ltd.

2. The Company had no major related party transaction concerning transfer of assets or equity during 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)	Ratio to the Balance of the Item
Receivables	Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	37,481	12.43
Prepayment	Nanchang Bao-jiang Steel & Processing Distribution Co., Ltd.	151,187	75.11
Accounts and bills payable	GETRAG (Jiangxi) Transmission Company	161,037	6.12
Accounts and bills payable	Jiangxi Jiangling Chasis Company	131,896	5.02
Accounts and bills payable	JMCG Interior Trim Factory	104,447	3.97
Accounts and bills payable	Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	93,044	3.54
Accounts and bills payable	Jiangling-Lear Interior Trim Factory	82,258	3.13
Accounts and bills payable	Visteon Climate Control (Nanchang) Co., Ltd.	49,236	1.87
Accounts and bills payable	Ford	46,397	1.76
Accounts and bills payable	Nanchang JMCG Liancheng Auto Component Co.	44,802	1.70
Accounts and bills payable	Nanchang Jiangling Huaxiang Auto Components Co.	39,022	1.48

(2) Deposit
On June 30, 2010, JMC had a deposit of RMB 185.45 million in JMCG Finance Co., Ltd. JMC received a total of RMB 1.84 million in interest from JMCG Finance Co., Ltd. in the first half of 2010.

(3) Guarantees to JMC
As of June 30, 2010, JMCG Finance Co, Ltd provided a guarantee for JMC's bank loans of US$ 1.15 million.

4. Other major related party transactions during the first half of 2010

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$ 2.83 million (equal to RMB 19.29 million) in the first half o f 2010. US$ 1.55 million had not paid yet through June 30, 2010.

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, shareholder and actual controller

Item	Promisor	Content of Commitments	Implementation of commitments
Share reform	JMH	*	In the reporting period, JMH exercised its commitments sincerely and did not breach the promise.
Trading Restriction on Shares		None	N/A
Acquisition report or Statement of changes in equity		None	N/A
Major asset restructuring		None	N/A
Initial Public Offering		None	N/A
Other commitments		None	N/A

*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.

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

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

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

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

X. External research and media interviews of the Company

Date	Place	Communication Method	Object	Information discussed and sources offered
January 6, 2010	In the Company	Oral Communication	Four analysts from Huatai Securities Co., Ltd.	JMC Operating highlights
January 15, 2010	In the Company	Oral Communication	Four analysts from Haitong Securities Company Limited, Guotai Junan Securities Co., Ltd., Rongtong Fund Management Co., Ltd., Dacheng Fund Management Co., Ltd.	JMC Operating highlights
January 22, 2010	In the Company	Oral Communication	An analyst from GTJA-Allianz Fund Management Co., Ltd.	JMC Operating highlights
January 29, 2010	In the Company	Oral Communication	Four analysts from GF Securities Co., Ltd., PICC Asset Management Company Limited, Shenzhen Shangcheng Asset Management Ltd., CongRong Investment Management Co., Ltd., Shanghai	JMC Operating highlights
February 3, 2010	In the Company	Oral Communication	An analyst from Huachuang Securities Co., Ltd.	JMC Operating highlights
February 5, 2010	In the Company	Oral Communication	Five analysts from Industrial Securities Co., Ltd., China Asset Management Co., Ltd., Harvest Fund Management Co., Ltd., Orient Securities Company Limited	JMC Operating highlights
March 10, 2010	In the Company	Oral Communication	Two analysts from China Securities Co.,	JMC Operating highlights

			Ltd., Penghua Fund Management Co., Ltd.	
March 17, 2010	In the Company	Oral Communication	Two analysts from Ping An Securities Company Ltd., Lion Fund Management Co.,Ltd.	JMC Operating highlights
March 19, 2010	In the Company	Oral Communication	Three analysts from China International Capital Corporation Limited., Guotai Asset Management Co., Ltd.	JMC Operating highlights
March 24, 2010	In the Company	Oral Communication	An analyst from Cinda Securities Co., Ltd.	JMC Operating highlights
March 31, 2010	In the Company	Oral Communication	An analyst from CSC Capital Partners	JMC Operating highlights
April 21, 2010	In the Company	Oral Communication	An analyst from Aijian Securities Co., Ltd.	JMC Operating highlights
April 22, 2010	In the Company	Oral Communication	An analyst from Sichuan Golden Nest Capital Management Co., Ltd.	JMC Operating highlights
May 6, 2010	In the Company	Oral Communication	Three analysts from China Merchants Securities Co., Ltd., UBS SDIC Fund Management Co., Ltd., Century Securities Co., Ltd.	JMC Operating highlights

XI. 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. Internal Audit Office and the group has reviewed the status of key internal control activities and made improvements in accordance with Fundamental Guideline on Enterprise Internal Control, which ensured the effectiveness of the Company internal control.

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

XIII 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 2010 is as follows:

1. Production and sales volume information in December 2009 was published on January 5, 2010.
2. Year 2009 performance flash report was published on January 20, 2010.

3. Production and sales volume information in January 2010 was published on February 3, 2010.
4. Production and sales volume information in February 2010 was published on March 3, 2010.
5. Extracts from the 2009 Annual Report and announcements on the relevant resolutions of the Board of Directors and the Supervisory Board were published on March 6, 2010.
6. Production and sales volume information in March 2010 was published on April 2, 2010.
7. Announcement on the resolutions of the eighth session of the sixth Board and related party transaction were published on April 10, 2010.
8. 2010 First Quarter Report and announcement on first half of Year 2010 performance prediction were published on April 24, 2010.
9. Production and sales volume information in April 2010 was published on May 5, 2010.
10. Notice on Holding 2009 Annual Shareholders' Meeting and production and sales volume information in May 2010 were published on June 3, 2010.

Section VI Financial Statements

The Half-year Financial Statements have not been audited.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010
(All amounts in RMB unless otherwise stated)

	Note	As at 30 June 2010#	As at 31 December 2009
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,505,177	2,491,159
Lease prepayment	6	281,131	284,393
Intangible assets	7	31,395	31,856
Investments in associates	8	14,416	17,292
Deferred income tax assets	9	137,833	134,133
		2,969,952	2,958,833
Current assets			
Inventories	10	939,209	1,059,798
Trade and other receivables	11	631,626	361,892
Cash and cash equivalents	12	5,316,195	3,913,823
		6,887,030	5,335,513
Total assets		**9,856,982**	**8,294,346**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	863,214	863,214
Share premium		816,609	816,609
Other reserves	14	457,650	457,650
Retained earnings		3,323,011	2,706,474
		5,460,484	4,843,947
Minority interest in equity		118,214	102,906
Total equity		**5,578,698**	**4,946,853**
LIABILITIES			
Non-current liabilities			
Borrowings	15	7,337	7,601
Retirement benefit obligations	16	63,103	70,475
Warranty provisions	17	142,714	122,361
		213,154	200,437
Current liabilities			
Trade and other payables	18	3,922,847	3,079,345
Current income tax liabilities		103,350	28,716
Borrowings	15	25,385	25,447
Retirement benefit obligations	16	13,548	13,548
		4,065,130	3,147,056
Total liabilities		**4,278,284**	**3,347,493**
Total equity and liabilities		**9,856,982**	**8,294,346**

#Unaudited financial indexes
The notes on pages 7 to 50 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010
(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June 2010# RMB'000	Six months ended 30 June 2009# RMB'000
Revenue	19	7,675,817	4,722,446
Sales tax		(131,399)	(76,245)
Cost of sales		(5,675,348)	(3,549,912)
Gross profit		**1,869,070**	**1,096,289**
Distribution costs		(381,236)	(319,154)
Administrative expenses		(291,368)	(255,378)
Other income/(expense)	22	(3,879)	2,293
Operating profit		**1,192,587**	**524,050**
Finance income	23	42,363	21,784
Finance costs	23	(845)	(1,480)
Finance income-net	23	41,518	20,304
Share of profit of associates		3,597	1,917
Profit before income tax		**1,237,702**	**546,271**
Income tax expense	24	(182,882)	(98,405)
Profit for the period		**1,054,820**	**447,866**
Profit attributable to:			
Equity holders of the Company		1,039,512	429,852
Minority interest		15,308	18,014
		1,054,820	**447,866**
Other comprehensive income		-	-
Total comprehensive income for the period		**1,054,820**	**447,866**
Total comprehensive income attributable to:			
Equity holders of the Company		1,039,512	429,852
Minority interest		15,308	18,014
		1,054,820	**447,866**
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	25	1.20	0.50

#Unaudited financial indexes
The notes on pages 7 to 50 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 2010
(All amounts in RMB unless otherwise stated)

	Note	Attributable to equity holders of the Company#					
		Share Capital	**Share Premium**	**Other Reserves**	**Retained Earnings**	**Minority Interest#**	**Total Equity#**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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		-	-		(258,964)	-	(258,964)
Balance at 30 June 2009		**863,214**	**816,609**	**457,650**	**2,083,797**	**118,722**	**4,339,992**
Balance at 1 January 2010		863,214	816,609	457,650	2,706,474	102,906	4,946,853
Profit for the six months		-	-	-	1,039,512	15,308	1,054,820
Dividend relating to 2009	26	-	-	-	(422,975)	-	(422,975)
Balance at 30 June 2010		**863,214**	**816,609**	**457,650**	**3,323,011**	**118,214**	**5,578,698**

#Unaudited financial indexes
The notes on pages 7 to 50 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010
(All amounts in RMB unless otherwise stated)

	Note	**Six months ended June 30**	
		2010#	**2009#**
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	27	1,601,655	1,746,477
Interest paid		(711)	(881)
Income tax paid		(101,454)	(6,306)
Net cash generated from operating activities		1,499,490	1,739,290
Cash flows from investing activities			
Purchase of property, plant and equipment ("PPE")		(129,580)	(189,824)
Proceeds from disposal of PPE	27	1,566	1,989
Interest received		31,367	23,009
Dividends received		-	6,944
Net cash used in investing activities		(96,647)	(157,882)
Cash flows from financing activities			
Proceeds from borrowings		25,019	35,000
Repayments of borrowings		(25,224)	(48,901)
Dividends paid to the Company's shareholders		(65)	-
Dividends paid to minority shareholders of a subsidiary		-	-
Other cash paid relating to financing activities		(205)	(181)
Net cash used in financing activities		(475)	(14,082)
Net increase in cash and cash equivalents		1,402,368	1,567,326
Cash and cash equivalents at beginning of year		3,913,823	1,511,608
Effects of exchange rate changes		4	(99)
Cash and cash equivalents at end of period		**5,316,195**	**3,078,835**

#Unaudited financial indexes
The notes on pages 7 to 50 are an integral part of these consolidated financial statements.

1 General information

Jiangling Motors Corporation, Ltd. (the "Company") was established in the People's Republic of China (the "PRC") under the Company Law of the PRC and according to the approval of Hongban (1992) No. 005 of Nangchang Revolution and 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 2010, 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 23 August 2010.

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") issued by the International Accounting Standards Board ("IASB"). 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.

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 as 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 statement of comprehensive income.

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 and 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, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting 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 statement of comprehensive income, 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.

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 investments in associates are recognised in the statement of comprehensive income.

C Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

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 statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income 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.

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 statement of comprehensive income 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 reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 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 statement of comprehensive income.

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 statement of comprehensive income on a straight line basis over the period of the lease or when there is impairment, the impairment is expensed in the statement of comprehensive income.

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 year ended 30 June 2010.

(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.

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. As at 30 June 2010, the Group only has loans and receivables which comprise ‘trade and other receivables’ and cash and cash equivalents in the statement of financial position (Notes 2 O and 2 P).

(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 reporting period. These are classified as non-current assets.

(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 end of the reporting period.

2 Summary of significant accounting policies (continued)

J Financial assets (continued)

(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 statement of comprehensive income. 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.

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 statement of comprehensive income 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 statement of comprehensive income 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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

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

K Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

L Impairment of financial assets

(1) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

L Impairment of financial assets (continued)

(1) Assets classified as available for sale (continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (1) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists 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 separate consolidated statement of comprehensive income. Impairment losses recognised in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated statement of comprehensive income.

Impairment testing of trade receivables is described in Note 2 O.

M 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 statement of comprehensive income.

N 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.

O Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 Summary of significant accounting policies (continued)

P 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 statement of financial position.

Q 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.

R Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

S Borrowings

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

T Current and deferred income tax

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

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’s 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.

2 Summary of significant accounting policies (continued)

T Current and deferred income tax(continued)

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

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

U 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 statement of comprehensive income as and when incurred. The Group’s obligations are determined at a certain percentage of the salaries of the employees.

In addition, the Group provides supplementary pension subsidies to certain qualified employees. Such supplementary pension subsidies are considered as under defined benefit plans. The liability recognised in the statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for 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 statement of comprehensive income in the period in which they arise.

(2) Housing fund and other benefits

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

(3) 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.

2 Summary of significant accounting policies (continued)

V 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.

W 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 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.

(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.

2 Summary of significant accounting policies (continued)

X 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 statement of comprehensive income on a straight-line basis over the period of the lease.

Y 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.

Z 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 statement of comprehensive income 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 statement of comprehensive income on a straight line basis over the expected lives of the related assets.

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 and Japanese Yen.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(1) Market risk (continued)

(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 2010, 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 2010, 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 approximately3,316,000 for the six months ended 30 June 2010.

As at 30 June 2010, 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 approximately RMB 45,000 for the six months ended 30 June 2010.

(2) Credit risk

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

As at 30 June 2010, the Group had cash deposits of approximately RMB185,453,000 (2009: RMB186,016,000) placed with Jiangling Motor Group Finance Company ("JMCF"), which is a non-bank financial institution and a subsidiary of JMCG (Note 12). 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.

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 are existing ones or related parties and 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 11.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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 regularly monitors the Group's undrawn borrowing facility (Note 15) and cash and cash equivalents (Note 12) on the basis of expected cash flow.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 15. 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 statement of financial position 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 2010				
Bank borrowings				
- Principals	25,385	445	1,334	5,558
- Interests	539	108	285	542
Trade and other payables	3,922,847	-	-	-
	3,948,771	553	1,619	6,100
At 31 December 2009				
Bank borrowings				
- Principals	25,447	447	1,341	5,813
- Interests	330	112	297	589
Trade and other payables	3,079,345	-	-	-
	3,105,122	559	1,638	6,402

3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The gearing ratios at 30 June 2010 and 31 December 2009 were as follows:

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Total borrowings	32,722	33,048
Total equity	5,578,698	4,946,853
Total capital	**5,611,420**	**4,979,901**
Gearing ratio	0.58%	0.66%

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.

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 16.

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 initial recorded, such differences will impact the tax provisions in the period such determination is made.

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

As at 30 June 2010, the Group has deferred tax assets in the amount of approximately RMB137,833,000. 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 RMB7,672,000.

5 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Electronic and other	Assets under constructions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
At 1 January 2009							
Cost	682,944	2,056,176	66,936	955,826	1,057,654	294,904	5,114,440
Accumulated depreciation and	(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
Year ended 31 December 2009							
Opening net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
Additions	-	-	-	-	300	418,538	418,838
Transfers	37,058	77,892	10,985	15,913	55,896	(197,744)	-
Disposals	(292)	(4,266)	(336)	(574)	(348)	-	(5,816)
Other deduction	-	-	-	-	-	(10,500)	(10,500)
Impairment charge	-	-	-	(370)	-	-	(370)
Depreciation charge	(17,598)	(86,729)	(6,954)	(80,497)	(82,086)	-	(273,864)
Closing net book amount	539,441	783,956	34,248	237,211	391,797	504,506	2,491,159
At 31 December 2009							
Cost	719,661	2,110,971	75,241	970,431	1,106,927	505,198	5,488,429
Accumulated depreciation and impairment	(180,220)	(1,327,015)	(40,993)	(733,220)	(715,130)	(692)	(2,997,270)
Net book amount	539,441	783,956	34,248	237,211	391,797	504,506	2,491,159
Six month ended 30 June 2010							
Opening net book amount	539,441	783,956	34,248	237,211	391,797	504,506	2,491,159
Additions	-	-	-	-	126	163,755	163,881
Transfers	68,123	152,359	10,617	1,863	105,691	(338,653)	-
Disposals	(58)	(2,617)	(451)	-	(578)	-	(3,704)
Other deduction	-	-	-	-	(504)	(5,197)	(5,701)
Impairment charge	-	-	-	-	-	-	-
Depreciation charge (Note 20,27)	(8,664)	(46,925)	(4,017)	(37,016)	(43,836)	-	(140,458)
Closing net book amount	598,842	886,773	40,397	202,058	452,696	324,411	2,505,177
At 30 June 2010							
Cost	787,700	2,250,170	83,171	972,294	1,187,551	325,103	5,605,989
Accumulated depreciation and impairment	(188,858)	(1,363,397)	(42,774)	(770,236)	(734,855)	(692)	(3,100,812)
Net book amount	598,842	886,773	40,397	202,058	452,696	324,411	2,505,177

5 Property, plant and equipment (continued)

For the six months ended 30 June 2010, depreciation expense of approximately RMB 121,975,000 (the six months ended 30 June 2009: RMB118,423,000) was charged in cost of sales, RMB621,000 (the six months ended 30 June 2009: RMB606,000) in distribution costs and RMB17,862,000 (the six months ended 30 June 2009: RMB18,514,000) in administrative expenses.

6 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 2010	**31 December 2009**
	RMB'000	RMB'000
Opening net book amount	284,393	290,916
Addition	-	1,974
Amortisation charge (Note 20,27)	(3,262)	(8,497)
Closing net book amount	281,131	284,393
Cost	329,863	329,863
Accumulated amortisation	(48,732)	(45,470)
Net book amount	281,131	284,393

All amortisation expense was charged in administrative expenses.

7 Intangible assets

	After-sale management model	Software	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009				
Opening net book amount	23,112	11,569	999	35,680
Addition	-	6,000	-	6,000
Amortisation charge	(6,162)	(3,395)	(267)	(9,824)
Closing net book amount	16,950	14,174	732	31,856
At 31 December 2009				
Cost	36,978	19,523	1,600	58,101
Accumulated amortisation	(20,028)	(5,349)	(868)	(26,245)
Net book amount	16,950	14,174	732	31,856
Six month ended 30 June 2010				
Opening net book amount	16,950	14,174	732	31,856
Addition	-	4,861	-	4,861
Amortisation charge (Note 20, 27)	(3,082)	(2,107)	(133)	(5,322)
Closing net book amount	13,868	16,928	599	31,395
At 30 June 2010				
Cost	36,979	24,383	1,600	62,962
Accumulated amortisation	(23,111)	(7,455)	(1,001)	(31,567)
Net book amount	13,868	16,928	599	31,395

For the six months ended 30 June 2010, amortisation expense of approximately RMB5,213,000 (the six months ended 30 June 2009: RMB4,565,000) was charged in administrative expenses and RMB109,000 in distribution costs (the six months ended 30 June 2009: RMB102,000).

8 Investments in associate

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

	30 June 2010	**31 December 2009**
	RMB'000	RMB'000
At beginning of the year	17,292	16,136
Share of profit (Note 27)	3,597	5,450
Dividends receivables	(6,473)	-
Dividends received	-	(4,294)
At end of the period	14,416	17,292

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 2010	**31 December 2009**
	RMB'000	RMB'000
Total assets	23,620	25,302
Total liabilities	(9,204)	(8,010)
Net assets	14,416	17,292

	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
Revenue	23,420	16,071
Profit for the period	3,597	1,917

9 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 the following.

As the Company is qualified as a high-tech enterprise and approved by the relevant tax authorities in 2009, the Company is entitled to a preferential Enterprise income tax ("EIT") rate of 15% from 2009 to 2011.

According to the Notice of Enterprise Income Tax Rate Transition Regulation issued by the State Council of the PRC, Jiangling Isuzu Motor Corporation, Ltd. ("Jiangling Isuzu"), a subsidiary of the Company, applied 18% EIT rate in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

	30 June 2010	**31 December 2009**
	RMB'000	RMB'000
Deferred tax assets	138,165	135,163
Deferred tax liabilities	(332)	(1,030)
Deferred tax assets (net)	137,833	134,133

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

	30 June 2010	**31 December 2009**
	RMB'000	RMB'000
At beginning of the year	134,133	105,233
Credited/(charged) to the statement of comprehensive income (Note 24)	3,700	28,900
At end of the period	137,833	134,133

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

Deferred tax assets	Provision for impairment of	Retirement 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 2009	2,528	14,586	71,816	11,196	5,630	105,756
Credited/(charged) to the income statement	(856)	4,389	20,052	(11,196)	17,018	29,407
At 31 December 2009	1,672	18,975	91,868	-	22,648	135,163
Credited/(charged) to the income statement	(70)	(1,253)	4,492	-	(167)	3,002
At 30 June 2010	1,602	17,722	96,360	-	22,481	138,165

9 Deferred income tax assets (continued)

Deferred tax liabilities	Depreciation of property, plant and equipment
	RMB'000
At 1 January 2009	(523)
Charged to the income statement	(507)
At 31 December 2009	(1,030)
Charged to the income statement	698
At 30 June 2010	(332)

The amounts shown in the statement of financial position include the followings:

	30 June 2010	**31 December 2009**
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 months	16,902	18,228

10 Inventories

	30 June 2010	**31 December 2009**
	RMB'000	RMB'000
Raw materials	540,575	490,890
Work in progress	182,447	98,696
Finished goods	216,187	470,212
	939,209	1,059,798

For the six months ended 30 June 2010, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB5,669,783,000(the six months ended 30 June 2009: RMB3, 545,149,000).

11 Trade and other receivables

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Trade receivables	301,603	67,296
Less: Provision for impairment of trade receivables	(1,508)	(337)
Trade receivables – net	300,095	66,959
Notes receivables	93,808	87,081
Other receivables	12,242	18,650
Less: Provision for impairment of other receivables	(65)	(44)
Other receivables – net	12,177	18,606
Prepayments	201,281	181,909
Dividends receivables	6,473	-
Interest receivables	17,792	7,337
	631,626	361,892

Refer to Note 30 for details of receivables from related parties. The carrying amounts of the Group's trade and other receivables are denominated in RMB.

The carrying amounts of accounts receivable approximate their fair values.

As at 30 June 2010, trade and other receivables of approximately RMB1,573,000 (2009: RMB381,000) were impaired and provided for.

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

	30 June 2010	31 December 2009
	RMB'000	RMB'000
At beginning of the year	(381)	(901)
Reversal for impairment of receivables	(1,192)	520
At end of the year	(1,573)	(381)

As at 30 June 2010, trade receivables of approximately RMB1,573,000 were past due and provided for impairment, and the amount of approximately RMB6,393,000 (2009: RMB3,726,000) were past due but not impaired. The aging analysis of these trade receivables is as below:

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Up to three months	6,393	3,726

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.

12 Cash and cash equivalents

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Cash at bank and in hand	1,412,115	997,032
Short-term bank deposits (a)	3,904,080	2,916,791
	5,316,195	3,913,823

As at 30 June 2010, the Group had cash deposits of approximately RMB185,453,000(2009: RMB186,016,000) placed JMCF (Note 30 (iii)). The interest rates range from 0.1% to1.17% per annum (2009: 0.05% to 1.35%). 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.

13 Share capital

	Number of shares (thousands)	Tradable shares			Total
		"A" shares		"B" shares	
		Restricted	Non-restricted		
		RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009					
Balance at 1 January 2009	863,214	271,372	247,842	344,000	863,214
Transfer	-	(268,130)	268,130	-	-
Balance at 31 December 2009	863,214	3,242	515,972	344,000	863,214
The six months ended 30 June 2010					
Balance at 1 January 2010	863,214	3,242	515,972	344,000	863,214
Transfer	-	-	-	-	-
Balance at 30 June 2010	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.

13 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.

14 Other reserves

	Statutory surplus reserve fund (a)	**Reserve fund**	**Others (b)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010 and 30 June 2010	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 Accounting Standards for Business Enterprises in the PRC, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the Company's share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by them. The fund is non-distributable except for liquidation situation.

As the balance of the statutory surplus reserve fund has reached 50% of the Company's share capital after the above appropriation, there are no further appropriations to the statutory surplus reserve fund for the six months ended 30 June 2010.

(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.

15 Borrowings

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Current		
Bank borrowings		
- secured (a)	445	447
- unsecured	24,940	25,000
	25,385	25,447
Non-current		
Bank borrowings - secured (a)	7,337	7,601
Total borrowings	32,722	33,048

(a) Bank borrowings of USD1,145,973(equivalent to approximately RMB7,782,000) (2009: USD1,178,715, equivalent to approximately RMB8,048,000) were guaranteed by JMCF (Note 30 (v)).

The interest rate of bank borrowings is ranging from 1.50% to 4.78% per annum (2009: 1.50% to 6.72%).

The fair value of borrowings approximates their carrying values.

The maturity of non-current borrowings is as follows:

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Between 1 and 2 years	445	447
Between 2 and 5 years	1,334	1,341
Over 5 years	5,558	5,813
	7,337	7,601

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

	30 June 2010	31 December 2009
	RMB'000	RMB'000
RMB	10,000	25,000
US dollar	22,722	8,048
	32,722	33,048

The Group has the following undrawn borrowing facilities:

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Fixed rate		
- Expiring within one year	1,978,374	2,264,049

16 Retirement benefits obligations

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

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Present value of defined benefits obligations		
Defined benefit obligations	76,651	86,585
Unrecognised past service cost	-	(2,562)
Liability on the statement of financial position	76,651	84,023

The movement of early retirement and supplemental benefit obligations for the six months ended 30 June 2010 is as follows:

	30 June 2010	31 December 2009
	RMB'000	RMB'000
At beginning of the year	84,023	85,906
For the period		
-Current service cost	-	632
-Interest cost	-	2,653
-Payment	(7,372)	(13,994)
-Past service cost	-	159
-Actuarial loss	-	8,667
At end of the period	76,651	84,023
Current	13,548	13,548
Non-current	63,103	70,475
	76,651	84,023

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

(1) Discount rate adopted: 4.00% (2009:4.00%)
(2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 5% (2009: 0% to 5%)
(3) Mortality: average life expectancy of residents in the PRC

Based on the assessment and IAS 19, the Group estimated that, As at 30 June 2010, a provision of RMB76,651,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB76,651,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB13,548,000 (2009: RMB13,548,000) 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 4.09%/4.59%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.71%/2.35%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 0.48%/0.51%

17 Warranty provisions

The movement on the warranty provisions is as follows:

	30 June 2010	31 December 2009
	RMB'000	RMB'000
At beginning of the year	122,361	99,079
Charged for the period (Note 20)	72,377	105,253
Utilised during the period	(52,024)	(81,971)
At end of the period	142,714	122,361

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.

18 Trade and other payables

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Trade payables	2,629,333	2,043,471
Payroll and welfare payable	125,373	102,881
Dividend payables	428,640	5,539
Other payables	739,501	851,561
Provision related to distribution costs	-	75,893
	3,922,847	3,079,345

Refer to Note 30 for details of amount due to related parties.

19 Revenue and segment information

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

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

20 Expenses by nature

	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
Raw materials and consumables used	5,190,020	3,162,136
Employee benefit expenses (Note 21)	359,886	254,069
Depreciation on property, plant and equipment (Note 5,27)	140,458	137,543
Repairs and maintenance expenditure on property, plant and equipment	27,131	19,169
Research and development expenditure	163,294	126,898
Amortisation of lease prepayment (Note 6,27)	3,262	5,236
Amortisation of intangible assets (Note 7,27)	5,322	4,667
Impairment/(Reversal)of inventories (Note 27)	(171)	183
Impairment/(Reversal)of trade and other receivables (Note 27)	1,192	(54)
Provision of warranty (Note 17)	72,377	48,836
Others	385,181	365,761
Total cost of sales, distribution costs and administrative expenses	6,347,952	4,124,444

21 Employee benefit expenses

	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
Wages and salaries	295,094	194,909
Social security costs	17,306	14,695
Pension costs – defined contribution plans	26,150	21,625
Pension costs – defined benefit plan (Note 16)	-	5,965
Others	21,336	16,875
	359,886	254,069

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.

22 Other income/(Expense)

	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
Other income/(Expense)	(3,879)	2,293

23 Finance income and cost

	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
(a) Finance income		
Interest income on bank deposits	39,721	20,314
Interest income on credit sales	2,642	1,470
	42,363	21,784
(b) Finance cost		
Interest expense on bank loans	(640)	(1,314)
Bank charges	(205)	(166)
	(845)	(1,480)
Net finance income	41,518	20,304

24 Taxation

(a) Enterprise income tax ("EIT")

The Group applicable tax rate was stated in Note 9. For the six months ended 30 June, the applicable EIT rates of the Company and its subsidiary are 15% and 22% respectively.

The amounts of income tax expense charged to the statement of comprehensive income represented:

	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
Current tax	(186,582)	(81,526)
Deferred tax (Note 9)	3,700	(16,879)
	(182,882)	(98,405)

24 Taxation (continued)

(a) Enterprise income tax (continued)

The difference between the actual income tax charge in the statement of comprehensive income 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	
	2010	**2009**
	RMB'000	RMB'000
Profit before tax	1,237,702	546,271
Tax calculated at a tax rate of 15% (2009: 15%)	(185,655)	(81,941)
Company which is subject to different tax rate	(5,538)	(4,524)
Tax concessions	225	663
Expense not deductible for tax purposes	(1,022)	(1,082)
Income not subject to tax	9,172	10,892
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	(64)	(22,413)
Tax charge	(182,882)	(98,405)

(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.

25 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 year.

	Six months ended 30 June	
	2010	**2009**
Profit attributable to equity holders of the Company (RMB '000)	1,039,512	429,852
Weighted average number of ordinary shares in issue (thousands)	863,214	863,214
Basic earnings per share	1.20	0.50

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 2010.

26 Dividends

A final dividend for 2009, amounting to a total dividend of RMB422,974,860 has been approved at the Shareholders' Meeting on 30 June 2010 (RMB0.49 per share).

27 Cash generated from operations

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit before tax	1,237,702	546,271
Depreciation (Note 5,20)	140,458	137,543
Amortisation of lease prepayment (Note 6,20)	3,262	5,236
Amortisation of intangible assets (Note 7,20)	5,322	4,667
Impairment/(Reversal)of trade and other receivables (Note 20)		(54)
Impairment/(Reversal) of write-down of inventorie (Note 20)	(171)	183
(Gain)/loss on disposals of PPE and lease prepayment	2,139	(1,311)
Interest expense (Note 23)	845	1,480
Interest income (Note 23)	(42,363)	(21,784)
Net foreign exchange transaction (gain)/loss	21	(26)
Share of profit of associates (Note 8)	(3,597)	(1,917)
Changes in working capital:		
- Increase in inventories	119,644	207,195
- Decrease/(Increase) in trade and other receivables	(263,502)	199,520
- Increase in warranty provisions	20,353	12,855
- Increase in trade and other payables	387,722	658,082
- Decrease in pensions and other retirement benefits	(7,372)	(1,463)
Cash generated from operations	1,601,655	1,746,477

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Net book amount	3,704	949
Gain/(loss) on disposal of PPE and lease prepayment	(2,139)	1,311
Offset with trade and other payables	1	(271)
Proceeds from disposal of property, plant and equipment	1,566	1,989

28 Contingencies

At 30 June 2010, the Group did not have any significant contingent liabilities.

29 Commitments

Capital commitments

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

	30 June 2010	31 December 2009
	RMB'000	RMB'000
Contracted but not provided for:		
Purchases of buildings, plant and machinery	304,180	282,320

30 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 2010. 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 2010.

30 Related party transactions (continued)

For the six months ended 30 June 2010, 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
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Subsidiary of Ford
Ford Global Technologies, LLC	Subsidiary of Ford
Ford 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 Management 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 Xinchen Auto Component Co.	Subsidiary of JMCG
JMCG Second-hand Vehicle exchange Co.	Subsidiary of JMCG
Jiangling New-power Auto manufacturing Co.	Subsidiary of JMCG
JMCG Hequn Costume Co., Ltd.	Associate of JMCG
Nanchang JMCG Trading Co.	Associate of JMCG
Nanchang JMCG Liancheng Auto Component Co.	The same Chairman as the Company
Visteon Climate Control Nanchang	Associate of the Company
GETRAG (Jiangxi) Transmissions company	Associate of JMCG
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
Jiangxi JMCG Aowei Auto Component Co.	Associate of JMCG
Nanchang JMCG Tianren Auto Component Co.	Associate of JMCG
Changan Ford Mazda Automobile Co., Ltd.	Associate of Ford

30 Related party transactions (continued)

i) Purchases of goods, provision of services

Purchase of goods	Six months ended 30 June 2010	2009
	RMB'000	RMB'000
JMCG	61,535	71,095
Ford	159,495	79,867
JMCG Interior Trim Factory	240,991	128,737
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	71,861	42,865
Jiangxi JMCG Industrial Co.	34,301	25,522
Jiangling Material Co.	25,172	14,270
Visteon Climate Control Nanchang	78,312	52,593
Jiangxi Jiangling Chassis Company	233,124	149,328
Jiangling-Lear Interior Trim Factory	132,464	83,290
Jiangling Metal Casting Co.	13,309	6,382
Nanchang Gear Co., Ltd.	3,234	3,078
Nanchang Jiangling Hua Xiang Auto Components Co.	60,177	40,346
Jiangling Auto Component Co.	5,887	4,423
JMCG Industrial Co. Shangrao Motor Parts Plant	2,619	1,558
JMCG Industry Co. Printing Plant	1,222	506
GETRAG (Jiangxi) Transmission Company	242,608	117,157
Nanchang JMCG Liancheng Auto Component Co.	83,109	34,878
JMCG Hequn Costume Co., Ltd.	1,113	1,024
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	277,088	145,755
Nanchang JMCG Xinchen Auto Component Co.	11,627	6,972
Jiangxi JMCG Aowei Auto Component Co.	15,001	10,206
Nanchang JMCG Tianren Auto Component Co.	2,286	1,275
Others	924	926
	1,757,459	1,022,053

30 Related party transactions (continued)

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

Provision of services and others	Six months ended 30 June	
	2010	**2009**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.		
- commission expenses	2,022	2,337
JMCG		
- rental expense	1,915	1,620
Ford		
- services	8,924	5,730
JMCG Jiangxi Engineering Construction Co., Ltd.		
- services	17,589	14,507
Jiangling-Lear Interior Trim Factory		
- services	-	1,680
Jiangxi JMCG Industrial Co.		
- services	7,555	5,598
Ford Motor Research & Engineering (Nanjing) Co., Ltd.		
- services	1,134	2,019
Ford Motor Company of Australia Limited		
- services	791	1,156
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.		
- services	940	2,282
Visteon Climate Control Nanchang		
- services	-	1,249
Others	937	4,793
	41,807	42,971

30 Related party transactions (continued)

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

Purchases of property, plant and equipment	**Six months ended 30 June**	
	2010	**2009**
	RMB'000	RMB'000
Changan Ford Mazda Automobile Co., Ltd.	-	400
Visteon Climate Control Nanchang	-	500
JMCG Jiangxi Engineering Construction Co., Ltd.	55	-
	55	900

ii) Sales of goods and provision of services

Sales of goods	**Six months ended 30 June**	
	2010	**2009**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	237,742	196,530
JMCG Interior Trim Factory	35,049	21,404
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	82,635	47,543
JMCG Property Management Co.	3,431	3,191
Jiangxi JMCG Industrial Co.	1,367	4,929
Jiangxi Jiangling Chassis Company	12,127	8,380
Land Wind Sales Company	1,121	847
Jiangxi Jiangling Material Utilization Co., Ltd.	27,432	14,751
JMH	28,124	20,419
GETRAG (Jiangxi) Transmission Company	-	4,687
Nanchang JMCG Liancheng Auto Component Co.	17,356	8,334
Jiangling-Lear Interior Trim Factory	2,389	824
Jiangling New-power Auto Manufacturing Co.	17,638	4,846
JMCG Second-hand Vehicle exchange Co	1,586	-
Nanchang JMCG Trading Co.	2,243	843
Others	1,580	2,371
	471,820	339,899

Sales of property, plant and equipment	**Six months ended 30 June**	
	2010	**2009**
	RMB'000	RMB'000
Nanchang JMCG Liancheng Auto Component Co.	-	1,280
JMCG Second-hand Vehicle exchange Co	255	-
	255	1,280

	Six months ended 30 June	
Rental income	**2010**	**2009**
	RMB'000	RMB'000
Jiangling Material Co.	-	132

30 Related party transactions (continued)

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

Trade receivables from related parties	30 June 2010	31 December 2009
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	37,481	-
JMH	6,294	3,745
Jiangxi Jiangling Material Utilization Co., Ltd.	5,666	-
Nanchang JMCG Liancheng Auto Component Co.	8,453	6,514
Jiangling New-power Auto manufacturing Co.	3,330	3,846
JMCG Import & Export Co., Ltd.	7,528	632
	68,752	14,737

Notes receivables from related parties	30 June 2010	31 December 2009
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	-	10,000

Other receivables from related parties	30 June 2010	31 December 2009
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	1,792	381
Others	28	600
	1,820	981

Prepayment for purchasing of goods	30 June 2010	31 December 2009
	RMB'000	RMB'000
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	151,187	148,592
JMCG Import & Export Co., Ltd.	1,344	-
JMCG Jiangxi Engineering Construction Co., Ltd.	2,060	-
	154,591	148,592

Prepayment for construction in progress	30 June 2010	31 December 2009
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	1,532	43
JMCG Jiangxi Engineering Construction Co., Ltd.	3,637	2,724
	5,169	2,767

30 Related party transactions (continued)

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

Trade payables to related parties	30 June 2010	31 December 2009
	RMB'000	RMB'000
JMCG Interior Trim Factory	104,447	69,488
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	93,044	81,172
Jiangling-Lear Interior Trim Factory	82,258	65,306
Visteon Climate Control Nanchang	49,236	43,719
JMCG	22,007	44,497
Jiangxi Jiangling Chassis Company	131,896	106,022
Nanchang Gear Co., Ltd.	1,343	1,791
Nanchang Jiangling Hua Xiang Auto Components Co.	39,022	33,883
Jiangling Metal Casting Co.	6,621	5,207
Jiangxi JMCG Industrial Co.	28,805	18,995
JMCG Industrial Co. Shangrao Motor parts Plant	1,445	1,312
Jiangling Auto Component Co.	3,588	2,603
JMCG Import & Export Co., Ltd.	2,009	1,590
Jiangling Material Co.	270	1,353
GETRAG (Jiangxi) Transmission Company	161,037	91,252
Nanchang JMCG Liancheng Auto Component Co.	44,802	30,173
Ford	46,397	41,087
Nanchang JMCG Xinchen Auto Component Co.	6,279	6,067
Jiangxi JMCG Aowei Auto Component Co.	13,340	8,964
Others	1,395	1,359
	839,241	655,840

Other payables to related parties	30 June 2010	31 December 2009
	RMB'000	RMB'000
Ford	21,155	26,400
Ford Otosan Company	3,095	2,445
Ford Motor (China) Co., Ltd.	766	2,415
JMCG Import & Export Co., Ltd.	306	7,034
GETRAG (Jiangxi) Transmission Company	1,275	1,288
JMCG Jiangxi Engineering Construction Co., Ltd.	4,335	8,892
Jiangling-Lear Interior Trim Factory	1,904	2,081
Ford Motor Company of Australia Limited	3,304	2,512
Ford Global Technologies,LLC	6,372	4,795
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	3,488	2,362
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	1,779	1,103
Jiangxi JMCG Industrial Co.	216	1,016
Nanchang Jiangling Hua Xiang Auto Components Co.	809	1,906
Others	3,029	4,387
	51,833	68,636

30 Related party transactions (continued)

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

Advance from related parties	**30 June 2010**	**31 December 2009**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	3,231	21,882
Others	593	179
	3,824	22,061

Cash deposit in related parties	**30 June 2010**	**31 December 2009**
	RMB'000	RMB'000
JMCF (Note 12)	185,453	186,016

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 2010, the Company has accrued approximately USD1,438,000(equivalent to approximately RMB9,814,000), and RMB1,303,000 to Ford 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 2010, the Company has accrued approximately RMB340,908 to JMH as service fee for these employees.

v) Guarantee

As at 30 June 2010, bank loans of USD1,145,973 (equivalent to approximately RMB7,782,000) (2009: USD1,178,715, equivalent to approximately RMB8,048,000) were guaranteed by JMCF (Note 15).

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 2010, the total remuneration of the key management was about RMB4,737,000(the six months ended 30 June 2009: RMB4,154,000).

30 Related party transactions (continued)

vii) 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 2010, the total royalty fee due to Ford Global Technologies, LLC and Ford Otosan Company was approximately USD2,834,000 (equivalent to approximately RMB19,289,000) . As at 30 June 2010, an outstanding amount of approximately USD1,549,000 will be paid in the 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	
	2010	**2009**
	RMB'000	RMB'000
Purchase of goods	593,475	325,080
Purchase of fixed assets	5,185	8,169
Purchase of services	24,153	8,649
Sales of goods	18,945	10,676
Interest income	37,878	19,157
Interest expense	550	1,314
Borrowings	25,019	35,000
Repayment of borrowings	25,224	48,901

30 Related party transactions (continued)

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

Balances with other state-owned entities

	30 June 2010	**31 December 2009**
	RMB'000	RMB'000
Cash and cash equivalents	5,130,742	3,727,807
Borrowings	32,722	33,048
Trade and other receivables	46,841	34,765
Trade and other payables	269,111	210,943

31 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 2010 half-year report signed by Chairman;
II. Originals of 2010 half-year financial statements signed by Chairman, Chief Financial Officer and Chief of Finance Department;
III. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC during the reporting period.
IV. The Half-year Report in China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
August 25, 2010