

Jiangling Motors Corporation, Ltd.



2020 Annual Report

2021-03

Chapter I Important Notes, Contents and Abbreviations

Important Note

The Board of Directors and its members, the Supervisory Board and its members, and the senior executives are jointly and severally liable for the truthfulness, accuracy and completeness of the information disclosed in the report and confirm that the information disclosed herein does not contain any false statement, misrepresentation or major omission.

Chairman Qiu Tiangao, CFO Li Weihua and Chief of Finance Department, Ding Ni, confirm that the Financial Statements in this Annual Report are truthful and complete.

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

The year 2020 profit distribution proposal approved by the Board of Directors is as follows:

A cash dividend of RMB 34.76 (including tax) will be distributed for every 10 shares held based on the total share capital of 863,214,000 shares, and there is no stock dividend. The Board decided not to convert capital reserve to share capital this time.

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Abbreviations:

JMC or the Company
JIC
Ford
CSRC
JMCG
JMCH
EVP
CFO
VP

Jiangling Motors Corporation, Ltd.
Nanchang Jiangling Investment Co., Ltd.
Ford Motor Company
China Securities Regulatory Commission
Jiangling Motors Group Co., Ltd.
JMC Heavy Duty Vehicle Co., Ltd.
Executive Vice President
Chief Financial Officer
Vice President

Chapter II Brief Introduction and Operating Highlight

1. Company's Information

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

2. Contact Person and Method

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

3. Information Disclosure and Place for Achieving Annual Report

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

4. Changes of Registration

| | |
|--|---|
| Organization Code | 913600006124469438 |
| Changes in the Main Business since the Listing | No change. |
| Changes of Controlling Shareholders | <p>On December 1, 1993, JMC A shares were listed on Shenzhen Stock Exchange, while JMCG, the founder-member, was the controlling shareholder of the Company. On September 29, 1995 and November 12, 1998, JMC issued additional 344 million B shares totally, while, after the additional B share issuance, JMCG and Ford were the controlling shareholders of the Company. On December 8, 2005, the 354.176 million JMC shares held by JMCG, the former controlling shareholder, were transferred to Jiangling Motor Holdings Co., Ltd. After the transference, Jiangling Motor Holdings Co., Ltd. and Ford were the controlling shareholders of the Company.</p> <p>In 2019, Jiangling Motor Holdings Co., Ltd., the former controlling shareholder, was divided and separated into Jangling Motor Holdings Co., Ltd. and Nanchang Jiangling Investment Co., Ltd., and transferred the 354.176 million JMC shares it held to Nanchang Jiangling Investment Co., Ltd. Presently, Nanchang Jiangling Investment Co., Ltd. and Ford are the controlling shareholders of the Company.</p> |

5. Other Information

Accounting Firm Appointed by JMC for Audit

| | |
|-----------------------------|--|
| Name | PricewaterhouseCoopers Zhong Tian LLP (‘PwC Zhong Tian’) |
| Headquarters Address | 11/F, PricewaterhouseCoopers Center Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC |
| Names of Signed Accountants | Lei Fang, Ye Dan |

6. Main accounting data and financial ratios

Unit: RMB

| | 2020 | 2019 | Change (%) | 2018 |
|--|-------------------|-------------------|------------|-------------------|
| Revenue | 33,095,733,665.00 | 29,173,636,262.00 | 13.44% | 28,249,339,672.00 |
| Profit Attributable to the Equity Holders of the Company | 550,698,958.00 | 147,812,078.00 | 272.57% | 91,833,346.00 |
| Net Profit Attributable to Shareholders of Listed Company After Deducting Non-Recurring Profit or Loss | 405,188,533.00 | -308,254,449.00 | 231.45% | -277,870,024.00 |
| Net Cash Generated From Operating Activities | 3,698,342,828.00 | 2,736,867,238.00 | 35.13% | -101,590,551.00 |
| Basic Earnings Per Share (RMB) | 0.64 | 0.17 | 272.57% | 0.11 |
| Diluted Earnings Per Share (RMB) | 0.64 | 0.17 | 272.57% | 0.11 |
| Weighted Average Return on Equity Ratio | 5.13% | 1.42% | 3.71% | 0.83% |
| | End of Year 2020 | End of Year 2019 | Change (%) | End of Year 2018 |
| Total Assets | 28,185,185,418.00 | 24,298,528,593.00 | 16.00% | 23,396,529,475.00 |
| Shareholders' Equity Attributable to the Equity Holders of the Company | 10,986,474,009.00 | 10,496,563,781.00 | 4.67% | 10,384,497,513.00 |

7. Accounting data difference between China GAAP and IFRS

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

Applicable Not Applicable

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

Applicable Not Applicable

8. Main accounting data quarterly

Unit: RMB

| | Q1 | Q2 | Q3 | Q4 |
|--|-------------------|------------------|------------------|-------------------|
| Revenue | 4,619,180,560.00 | 9,454,237,318.00 | 8,005,447,973.00 | 11,016,867,814.00 |
| Profit Attributable to the Equity Holders of the Company | 69,462,263.00 | 138,309,519.00 | 150,811,264.00 | 192,115,912.00 |
| Net Profit Attributable to Shareholders of Listed Company After Deducting Non-Recurring Profit or Loss | -86,612,788.00 | 135,964,122.00 | 126,751,664.00 | 229,085,535.00 |
| Net Cash Generated From Operating Activities | -3,209,160,716.00 | 3,943,444,343.00 | 124,978,829.00 | 2,839,080,372.00 |

Chapter III Operating Overview

1. Company's Core Business during the Reporting Period

In 2020, the whole production and sales volume in China auto industry was 25.225 million and 25.311 million units respectively, with YOY decline of 2.0% and 1.9%. However, the sales volume kept increasing for nine months consecutively, with weaker and weaker impact from the epidemic. In 2020, driven by such factors as Stage III auto phase-out, stricter overload supervision and infrastructure investment, the annual production and sales volume of CV segment increased dramatically, which was 5,231,000 and 5,133,000 units, with 20.0% and 18.7% increase respectively, creating the record new high. Trucks are the major support for market growth. In 2020, the production and sales volume of trucks were 4,778,000 and 4,685,000 units, with 22.9% and 21.7% growth respectively. The production and sales volume of buses in 2020 were 453,000 and 448,000 units, with 4.2% and 5.6% YOY decline respectively. Compared with last year, light bus witnessed slight increase in terms of production and sales volume, but big and small sized buses suffered rapid decrease. In 2020, the production and sales volume of PV segment were 19,994,000 and 20,178,000 units, with YOY drop of 6.5% and 6.0% respectively.

The newly revised 2020 Edition *Vehicle Classification of the Toll for Highway* implemented on January 1, 2020 has made corresponding modifications to the classification of passenger and goods vehicles. Such move lowered the charging standard for corresponding models, made it more acceptable for the majority of vehicle users, and stimulated the consumption demand of corresponding vehicle segment market.

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

In the CV segment that JMC is involved, influenced by dual circulation, E-commerce, refined tourism and customized transportation development, the light bus sales volume get further improved. With gradually loosened restriction on urban access, together with people's pursuit for better life and the development of modern agriculture, the demands for Pickup shall be further released. With the new urbanization and the construction of city circles, there will be more demands on short and medium-distance transportation, which shall be an incentive to the light truck market. With the continuously improving income of people, SUV market shall gradually resume growth. The segments that JMC are involved shall enjoy further development with more incremental volume.

In the whole year of 2020, the Company continued to increase its technical reserves and resource investment in new products, intelligent networking, new energy, lightweight and other aspects. Regarding vehicles, the Company developed car functions such as automatic driving and intelligent networking and formed the third largest space with vehicles as carriers, realizing more function expansion. Meanwhile, the Company strengthened the construction of digital operation capacity, involving in many key value spheres such as social networking and financial payment. A wide-area ecosystem was formed. The overall performance was excellent within the auto market.

2. Major Change of Main Assets

I. Major Change of Main Assets

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

II. Main Overseas Assets

Applicable Not Applicable

3. Core Competitiveness Analysis

JMC is a sino-foreign joint venture auto company with R&D, manufacturing and sales operations. With leading position and advanced technology of commercial vehicles, JMC is a China auto industry pioneer providing excellent products and solutions to smart logistics, which is certificated as a national high-tech enterprise, national innovative pilot enterprise, national enterprise technology centre, national industrial design centre, national intellectual property demonstration enterprises and national automobile export base; and had been ranked among the top 100 most valuable global brands for consecutive years. JMC light buses ranked No.1 in the segment with 31.8% market share. JMC Pickup ranked No.2 in the segment with 14.4% market share. JMC light trucks ranked No.5 in the segment with 7.6% market share.

Three core CV models of JMC always take customer demands as the center, covering various scenarios. JMC light buses deeply studied various demands of SVO customers under different operation scenarios. While strengthening product, JMC also improved the modification feasibility and customer experience, thus constructing a competitive ecological chains. The newly launched Ford new-generation Transit Pro provided Uptime 100% for the first time, thus continuously consolidating the leader's position. Yuhu 9, the American style high-end diesel Pickup that kicked the market in this April, was a top Pickup product in China, which demonstrated JMC's technical power. It's a versatile product that can satisfy family use, outdoors trips, goods transportation and minor off-road. Yuhu 7 AT model was equipped with ZF 8AT transmission and provided excellent comfort and great cost performance, which gained high popularity just after launch. Brand new JMC Baodian pickup owned the leading load capacity and

fuel economy among peers, thus winning the honor of Economical Pickup of the Year. Newly launched Blue Whale light truck and Shunda small truck made breakthroughs in power performance, light weight and price, with leading quality and fuel economy as always. Kaiyun Blue Whale won the honor of 2020 Light Truck with Top Quality.

New Ford Territory SUV, with leading space dimension, Miller engine and 48V MHEV technology, carries such technology as Feiyu smart mobility and Tencent Wechat smart voice control system. JMC quickly responded to the market, and is to launch more spacious mid-sized SUV and upgraded Territory SUV, with more comfort and more advanced intelligent connectivity, L2 level smart driving assistant system, OTA remote control and totally 26 standard options, 30 leading features.

To comply with the international and domestic industry development, JMC accelerated transformation and upgrade, explored new business and innovate business mode.

(1) JMC has made digitalization transformation strategy, focused on marketing service market, customer data insight, production supply chain, new product development and other management fields. JMC specified the digitalization transformation strategy and roadmap, with data middle platform constructed.

(2) JMC planned for smart connectivity industry. The newly established branch in Shenzhen organized a technical team with core capability in software and hardware development of key electronic components and system integration, etc., with auto Internet architecture, in-car connectivity terminal TBOX and V2X, VCU/BMS industrialization development, thus supporting the study on such leading technology as domain controller, smart cabin and software algorithm.

(3) Several new products were included in Key New Product Plan of Jiangxi Province, for example, military Pickup, brand-new Baodian Pickup, Stage VI special load light truck, no-contact distributing truck and mid or big sized Ford SUV, etc. The project Key Technology Development of Smart Logistics Vehicle-Road Synergy based on 5G-V2X was rated as the key local science & technology tackling subject. This project aimed at integrating 5G technology and vehicle-road synergy technology, with V2X smart logistics as the key scenario and vehicle-road synergy smart logistics park based on 5G communication constructed. This project is to be built as an industrialization modelling program based on 5G and V2X technology in Jiangxi Province.

(4) JMC promotes the construction of cross-industry ecological circle and has conducted strategic ecological cooperation with such top enterprises in the industry as Pingan Bank, Huawei, Ali, Tencent and Iflytek, thus continuously creating the stable ecology for cross-industry smart service of CV.

Chapter IV Management Discussion and Analysis

1. Summary

In 2020, impacted by Covid-19 epidemic, China's economy growth slowed down. The overall auto market in China witnessed downturn. The annual sales volume was 25,311,000 units, with YOY decline of 1.9%. During the reporting period, to cope with more severe competition, more stringent regulatory requirement and intensifying cost pressures, the Company focused on quality improvement, new product development, operating cost control and production efficiency enhancement. Simultaneously, the Company introduced series of sales policy to respond the market risk. In 2020, JMC achieved sales volume of 331,098 units, increased 14.15% compared with last year, achieved revenue of RMB 33.096 billion, increased 13.44% compared with last year, achieved net profit of RMB 551 million, increased 272.57% compared with last year. JMC achieved nine months' positive growth in sales volume, which demonstrated good tenacity. In LCV segment, JMC light bus, light truck and Pickup kept leading position in the industry. In PV segment, JMC Yusheng SUV, Ford SUV kept making breakthroughs with overseas market exploration.

In 2020, JMC planned for capacity of 330,000 units, with 102% productivity utilization. In 2020, Fushan Plant investment was RMB 182 million, with 49% completion.

Vehicle manufacturing and operation

Applicable Not Applicable

Production and Sales Volume Information

| | Production Volume (Unit) | | | Sales Volume (Unit) | | |
|--------------------|--------------------------|---------|----------------|---------------------|---------|----------------|
| | 2020 FY | 2019 FY | YOY change (%) | 2020 FY | 2019 FY | YOY change (%) |
| By Products | | | | | | |
| Light Bus | 94,945 | 81,312 | 16.77% | 92,994 | 81,601 | 13.96% |
| Truck | 128,949 | 96,513 | 33.61% | 128,875 | 96,915 | 32.98% |
| Pickup | 66,209 | 58,368 | 13.43% | 65,204 | 59,486 | 9.61% |
| SUV | 46,212 | 51,881 | -10.93% | 44,025 | 52,056 | -15.43% |
| Total | 336,315 | 288,074 | 16.75% | 331,098 | 290,058 | 14.15% |
| By Region | | | | | | |
| China | 336,315 | 288,074 | 16.75% | 331,098 | 290,058 | 14.15% |

Explanation on the above 30% year-on-year change of related date.

Applicable Not Applicable

Truck sales volume growth of 32.98% year on year is mainly due to the recovery of the light truck industry.

Component Kit System Construction

JMC owns the independent R&D and production capability of such key components as engine, body parts, frame, and front axle, etc. JMC also tries to create the sustainable swift supply system. By innovative mindset and digitalization, JMC established complete supplier admission, capability improvement and supplier control mechanism in terms of quality, cost and delivery. For traditional business, JMC kept the in-depth strategic cooperation with such leading companies in the industry as Bosch, Honeywell, Yunnei Power, ZF and GKN, etc. For CASE, JMC cooperated with CATL, Huawei, Tencent and Hengrun, etc. The diversified cooperation modes laid foundation for the high quality development of supply system.

Production and operation of auto parts during the reporting period

Applicable Not Applicable

The company carries out auto finance business

Applicable Not Applicable

The company carries out new energy vehicle related business

Applicable Not Applicable

Production and operation of new energy vehicles and parts

| Product Category | Capacity(Unit) | Production Volume (Unit) | Sales Volume (Unit) | Revenue (RMB) |
|--|--|--------------------------|---------------------|---------------|
| New Energy Bus Series | 50,000 | 154 | 140 | 26,421,471.00 |
| New Energy Passenger Vehicles and Pickup | 50,000 | 288 | 285 | 48,347,966.00 |
| New Energy Truck | 30,000 | 116 | 117 | 18,940,813.00 |
| Total | 130,000 Note: all new energy vehicles are collinear with corresponding fuel vehicles. | 558 | 542 | 93,710,250.00 |

BEV Subsidy

In 2020, JMC received BEV subsidy of RMB 9,960,000. Ministry of Industry and Information Technology revised *Regulation on BEV Manufacturer and Product Admission*, in the future, there will be more compliant BEV models being admitted for inspection. As for BEV subsidy, the state extended the BEV purchase subsidy and vehicle purchase subsidy exemption policy for another two years since the end of 2020. This is beneficial to BEV market expansion and BEV product sales of JMC.

2. Core Business Analysis

I. Summary

In 2020, JMC sales volume achieved 331,098 units, increased 14.15% compared with last year, including 92,994 units light bus, 128,875 units truck, 65,204 units pickup, and 44,025 units SUV.

Total production volume in 2020 was 336,315 units, increased 16.75% compared with last year, including 94,945 units light bus, 128,949 units truck, 66,209 units pickup, and 46,212 units SUV.

JMC total sales revenue in 2020 was RMB 33.10 billion, increased 13.44% compared with last year.

II. Revenue and Cost

(a) Composition of Sales Revenue

Unit: RMB

| | 2020 FY | | 2019 FY | | YOY change (%) |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Revenue | 33,095,733,665 | 100.00% | 29,173,636,262 | 100.00% | 13.44% |
| By Industry | | | | | |
| Automobile Industry | 33,095,733,665 | 100.00% | 29,173,636,262 | 100.00% | 13.44% |
| By Products | | | | | |
| Vehicle | 30,666,834,098 | 92.66% | 26,252,631,564 | 89.98% | 16.81% |
| Components | 1,774,007,492 | 5.36% | 2,351,979,223 | 8.06% | -24.57% |
| Automobile Maintenance Services | 94,435,844 | 0.29% | 103,582,678 | 0.36% | -8.83% |
| Material & Others | 560,456,231 | 1.69% | 465,442,797 | 1.60% | 20.41% |
| By Region | | | | | |
| China | 33,095,733,665 | 100.00% | 29,173,636,262 | 100.00% | 13.44% |

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

Applicable Not Applicable

Unit: RMB

| | Turnover | Cost | Gross Margin | YOY turnover change (%) | YOY Cost Change (%) | YOY gross margin change (points) |
|---------------------|----------------|----------------|--------------|-------------------------|---------------------|----------------------------------|
| By Industry | | | | | | |
| Automobile Industry | 33,095,733,665 | 27,518,509,913 | 16.85% | 13.44% | 12.18% | 0.94% |
| By Products | | | | | | |
| Vehicle | 30,666,834,098 | 25,638,598,860 | 16.40% | 16.81% | 14.95% | 1.36% |
| By Region | | | | | | |
| China | 33,095,733,665 | 27,518,509,913 | 16.85% | 13.44% | 12.18% | 0.94% |

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

Applicable Not Applicable

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

Yes No

| Industry | Item | Unit | 2020 | 2019 | Change (%) |
|------------|-------------------|------|---------|---------|------------|
| Automobile | Sales Volume | unit | 331,098 | 290,058 | 14.15% |
| | Production Volume | unit | 336,315 | 288,074 | 16.75% |
| | Inventory Volume | unit | 11,821 | 7,045 | 67.79% |

Explanation on YOY change of over 30%

Applicable Not Applicable

At the end of 2020, the inventory volume is within the reasonable ratio of inventory volume to sales volume. The increase of 67.79% in inventory volume from the same period last year were due to the increased sales, and considering the spread of COVID-19 in China in the first quarter of 2021 and the uncertainty of COVID-19 in the world, the Company took the initiative to increase inventory to deal with the impact of supply chain fluctuations.

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

Applicable Not Applicable

(e) Composition of Operating Cost

Unit: RMB

| Product | 2020 FY | | 2019 FY | | YOY Change (%) |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| | Cost | Proportion (%) | Cost | Proportion (%) | |
| Vehicle | 25,638,598,860 | 93.17% | 22,303,937,803 | 90.92% | 14.95% |
| Components | 1,250,772,343 | 4.54% | 1,696,042,274 | 6.92% | -26.25% |
| Automobile Maintenance Services | 95,282,459 | 0.35% | 98,395,291 | 0.40% | -3.16% |
| Material & Others | 533,856,251 | 1.94% | 432,481,782 | 1.76% | 23.44% |

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

Yes No

JMC Heavy Duty Vehicle Co., Ltd., a whole-owned subsidiary of JMC, was separated per vehicle and engine business into the surviving company “JMC Heavy Duty Vehicle Co., Ltd.” and the derived new company “Taiyuan Jiangling Power Co., Ltd.” in August 2020. After the separation, JMC Heavy Duty Vehicle Co., Ltd. and the new derivative company Taiyuan Jiangling Power Co., Ltd. are included in the consolidated scope.

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

Applicable Not Applicable

(h) Main Customers and Suppliers

Top 5 Customers:

| | |
|--|---------------|
| Total sales value to top 5 customers (RMB) | 4,061,691,344 |
| Accounted for the proportion of JMC's total annual turnover | 12.27% |
| Included related party transaction accounted for the proportion of JMC's total annual turnover | 4.55% |

| No. | Name of the Customer | Sales Value (RMB) | Percentage of JMC's Total Turnover (%) |
|-------|--|-------------------|--|
| 1 | Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | 1,505,218,690 | 4.55% |
| 2 | Zhejiang Jiangling Motors Sales Company | 1,084,917,009 | 3.28% |
| 3 | Hunan Transit Jiangling Motors Sales Company | 534,725,621 | 1.62% |
| 4 | Beijing Jinglingshun Auto Sales Company | 493,165,189 | 1.49% |
| 5 | Shanghai Keda Zhoupu Auto Sales Company | 443,664,835 | 1.34% |
| Total | | 4,061,691,344 | 12.27% |

Other introduction to main customers

Applicable Not Applicable

Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. is a related party of the Company. VP Li Xiaojun holds the position of Director of Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.

Top 5 Suppliers:

| | |
|---|---------------|
| Total purchase value from top 5 suppliers (RMB) | 4,767,424,905 |
| Accounted for the proportion of JMC's total annual purchase amount | 19.38% |
| Included related party transaction accounted for the proportion of JMC's total annual purchase amount | 11.26% |

| No. | Name of the Supplier | Purchase Value (RMB) | Percentage of JMC's Total Annual Purchase Amount (%) |
|-------|---|----------------------|--|
| 1 | Bosch Auto Diesel System (Wuxi) Company | 1,220,870,750 | 4.96% |
| 2 | Nanchang Baojiang Steel Processing Distribution Co., Ltd. | 963,538,705 | 3.92% |
| 3 | Jiangxi Jiangling Chassis Co., Ltd. | 925,826,174 | 3.76% |
| 4 | Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | 880,431,974 | 3.58% |
| 5 | Bosch Automotive Diesel System Co., Ltd. | 776,757,302 | 3.16% |
| Total | | 4,767,424,905 | 19.38% |

Other introduction to main suppliers

Applicable Not Applicable

Among the top five suppliers, except Bosch Auto Diesel System (Wuxi) Company and Bosch Automotive Diesel System Co., Ltd., the other three suppliers are related parties of the Company.

III. Expense Analysis

Unit: RMB

| | 2020 | 2019 | YOY Change |
|-------------------------|------------------|------------------|------------|
| Distribution Expenses | 1,544,737,028.00 | 1,525,883,194.00 | 1.24% |
| Administrative Expenses | 1,012,347,173.00 | 955,566,805.00 | 5.94% |
| Finance Income-net | -197,567,513.00 | -189,506,963.00 | -4.25% |
| R & D Expenses | 1,343,812,092.00 | 1,776,320,646.00 | -24.35% |

IV. Research & Development

In 2020, the Company is committed to the research and development of new products, and the R & D expenditure will be mainly used for the development of new product projects and meeting the requirements of policies and regulations. This includes new models, new loads, new profiles, power enhancements, and meeting government environmental and safety regulations. These competitive R&D expenditures will ensure solid growth in sales and profitability in the future. R&D expenditures in 2020 were RMB 1.665 billion, accounting for 15.15% of the Company's net assets and 5.03% of operating revenue.

R&D

| | 2020 | 2019 | Change (%) |
|---|---------------|---------------|------------|
| R&D Staff (person) | 2,393 | 2,758 | -13.23% |
| R&D Staff as % of Total Employees | 17.73% | 18.65% | -0.92% |
| R&D Investment (RMB) | 1,664,559,872 | 1,937,077,557 | -14.07% |
| R&D Investment as % of Revenue | 5.03% | 6.64% | -1.61% |
| Capitalization of R&D Investment | 320,747,780 | 160,756,911 | 99.52% |
| Capitalization of R&D Investment as % of R&D Investment | 19.27% | 8.30% | 10.97% |

Major change of R&D Investment as % of revenue

Applicable Not Applicable

Major change of Capitalization of R&D Investment

Applicable Not Applicable

Reason of the change is due to the increase in the amount of R & D investment eligible for capitalization this year. Please refer to "note II (14) (E) research and development of financial statements" and "note IV (14) intangible assets" in "section XII financial report" for details.

V. Cash Flow Analysis

| Item | RMB | | |
|--|-------------------|-------------------|------------|
| | 2020 | 2019 | Change (%) |
| Cash received from operating activities | 35,570,910,131.00 | 32,798,796,157.00 | 8.45% |
| Cash outflows from operating activities | 31,872,567,303.00 | 30,061,928,919.00 | 6.02% |
| Net cash flows from operating activities | 3,698,342,828.00 | 2,736,867,238.00 | 35.13% |
| Cash received from investing activities | 15,608,879,156.00 | 9,464,689,154.00 | 64.92% |
| Cash outflows from investing activities | 17,522,317,586.00 | 10,829,783,077.00 | 61.80% |
| Net cash flows from investing activities | -1,913,438,430.00 | -1,365,093,923.00 | -40.17% |
| Cash received from financing activities | 2,291,211,222.00 | 200,000,000.00 | 1,045.61% |
| Cash outflows from financing activities | 1,892,097,149.00 | 250,716,633.00 | 654.68% |
| Net cash flows from financing activities | 399,114,073.00 | -50,716,633.00 | 886.95% |
| Net increase/(decrease) in cash and cash equivalents | 2,184,018,471.00 | 1,321,056,682.00 | 65.32% |

Explanation on the major factors regarding major change of related data

√Applicable Not Applicable

Year on year increase of the net cash flow generated by operating activities reflected the increase in cash received from the sale of goods and the provision of services as a result of the increase in income.

Year on year decrease of the net cash flow from investment activities was mainly due to the purchase of structured deposits.

Year on year increase of the net cash flow from financing activities was mainly attributable to the increase in the bank's short-term lending business.

Year on year increase of the net increase in cash and cash equivalents was mainly attributable to the increase in net cash flow from operating activities.

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

Applicable √Not Applicable

3. Non- core business analysis
Applicable Not Applicable

Unit: RMB

| Item | Amount | Proportion of PBT | Explanation | Sustainability (Y/N) |
|------------------------|-------------|-------------------|---|----------------------|
| Impairment of Assets | 681,884,784 | 150.97% | It's mainly due to the accrued assets impairment provisions concerning the relevant assets that will be discontinued used, because of the business restructuring of JMC Heavy Duty Vehicle Co., Ltd., a wholly-owned subsidiary of JMC; and the spare parts, equipment and molds that are not expected to be used, resulting from the Company's Qingyunpu Factory Relocation Project. | N |
| Non Operating Expenses | 172,753,545 | 38.25% | It mainly reflects, as a result of business restructuring of the wholly owned subsidiary JMC Heavy Duty Vehicle Co., Ltd., related land and above-ground building disposal loss. | N |

4. Analysis of Assets and Liabilities
I. Major changes

Unit: RMB

| Asset item | December 31, 2020 | | December 31, 2019 | | YOY | Major Changes Explanation |
|------------------------------|-------------------|------------|-------------------|------------|-------------------|---------------------------------------|
| | Amount | Proportion | Amount | Proportion | Proportion change | |
| | | | | | (Points) | |
| Cash at bank and on hand | 11,121,955,129 | 39.46% | 8,937,936,658 | 36.78% | 2.68% | |
| Accounts receivables | 2,999,883,212 | 10.64% | 2,208,236,620 | 9.09% | 1.55% | |
| Inventories | 2,086,605,692 | 7.40% | 1,946,869,092 | 8.01% | -0.61% | |
| Long-term equity investments | 39,496,548 | 0.14% | 40,934,557 | 0.17% | -0.03% | |
| Fixed assets | 5,165,956,410 | 18.33% | 5,714,489,577 | 23.52% | -5.19% | |
| Construction in progress | 1,535,497,770 | 5.45% | 1,498,124,778.00 | 6.17% | -0.72% | |
| Short-term borrowings | 500,000,000 | 1.77% | - | - | 1.77% | Increased short-term lending by banks |
| Long-term borrowings | 2,563,666 | 0.01% | 3,197,814 | 0.01% | - | |

II. The fair value of the assets and liabilities.

Unit: RMB

| Item | financial assets | 1.Trading financial assets (excluding derivative financial assets) | 2.Receivables financing | Subtotal | Financial liabilities |
|---|------------------|--|-------------------------|----------------|-----------------------|
| Beginning of the period | | - | 289,044,373 | 289,044,373 | 545,632 |
| Loss/profit in fair value in the period | | 3,892,985 | - | 3,892,985 | 3,171,095 |
| Cumulative changes in fair value recorded into equity | | - | - | - | - |
| Impairment in the period | | - | - | - | - |
| Purchase in the period | | 16,107,000,000 | 2,325,165,208 | 18,432,165,208 | - |
| Sell in the period | | 15,307,000,000 | 1,798,625,912 | 17,105,625,912 | - |
| Other changes | | - | - | - | - |
| End of the period | | 803,892,985 | 815,583,669 | 1,619,476,654 | 3,716,727 |

Whether there is a significant change in the measurement attributes of the Company's main assets during the reporting period

Applicable Not Applicable

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

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

5. Investment

I. Summary

Applicable Not Applicable

II. Obtained Major Equity Investment during the Reporting Period

Applicable Not Applicable

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

Applicable Not Applicable

| | |
|---|--------------|
| Project Name | Fushan Plant |
| Investment Method/source | Self-funded |
| Fixed Assets (Y/N) | Y |
| Spending in 2020 (RMB mils) | 182 |
| Cumulative Actual Investment (RMB mils) | 1,043 |
| Progress | 49% |
| Index | * |

*The announcement (No. 2017-044) was published on November 15, 2017 on the website: www.cninfo.com.cn.

IV. Financial Assets Investment

(a) Stock Investment

Applicable Not Applicable

(b) Derivative Investment

Applicable Not Applicable

V. Usage of Raised Fund

Applicable Not Applicable

6. Sales of Major Assets and Equity

I. Sale of Major Assets

Applicable Not Applicable

II. Sales of Major Equity

Applicable Not Applicable

| | |
|---|---|
| Counterparty | Yunnan Yunnei Power Group Co., Ltd. |
| Sold equity | 60% equity of Taiyuan Jiangling Power Co., Ltd., a wholly-owned subsidiary |
| Date of sale | Yunnan Yunnei Power Group Co., Ltd was delisted on January 6, 2021 and is still in the process of transfer. |
| Transaction price (RMB mils) | 360 |
| Net profit contributed by the equity to the listed company from the beginning of the current period to the selling date | RMB -14.05 million in 2020. |
| Impact of the sale on the Company | The purpose of this transaction is to sell the Transaction Equity to external strategic partner to develop heavy engine business. |
| Proportion of net profit contributed by equity sale to the total net profit of the listed company | Not applicable. |
| Equity sale pricing principle | Public bidding process. |
| Whether it is a related transaction | No. |
| Association with the counterparty | No relationship. |
| Whether all the equity involved has been transferred | No. |
| Whether the plan is implemented as scheduled, if not, the reason and the measures taken by the company | Yes. |
| Date of disclosure | October 13, 2020 and January 7, 2021. |
| Index | The announcement (No. 2020-040,2021-002) was published on the website: www.cninfo.com.cn |

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

Unit: RMB'000

| | Type of Companies | Main Business | Registered Capital | Assets | Net Assets | Turnover | Operating Profit | Net Profit |
|---|-------------------|---|--------------------|-----------|------------|------------|------------------|------------|
| Jiangling Motors Sales Corporation, Ltd | Subsidiary | Sales vehicle, service parts | 50,000 | 5,759,031 | 230,181 | 29,752,125 | -1,581 | -1,332 |
| JMC Heavy Duty Vehicle Co., Ltd. | Subsidiary | Production and sales of automobiles, engines and other automotive parts | 181,793 | 897,891 | -395,953 | 698,547 | -389,650 | -523,751 |
| Taiyuan Jiangling Power Co., Ltd. | Subsidiary | Design, assemble and sell engines and their spare parts | 600,000 | 589,802 | 585,953 | 436 | -18,682 | -14,047 |

Acquisition and disposal of the subsidiaries

Applicable Not Applicable

| Name of Companies | Acquisition and disposal of the subsidiaries | Influence |
|-----------------------------------|---|---|
| Taiyuan Jiangling Power Co., Ltd. | A new derivative company through surviving separation of the Company's original wholly owned subsidiary JMCH. | It is convenient for JMCH's business restructuring and has no material impact on the Company's performance. |

8. Structured Entities Controlled by JMC

Applicable Not Applicable

9. Outlook

I. Industry Competition and Development Trend

(I). Industry Development Trend

Currently China is still undergoing modernization and new urbanization process and China economy remains reasonable, with continuous growing macro economy, stable import & export, and balanced BOP account. While the domestic demands are stable, innovation was encouraged. Internet integrated with industry required further deepening. In 2021, China's economy shall keep steady growth, the whole year GDP growth was estimated to be above 6%.

Looking forward to 2021, the commercial vehicle market is expected to remain at a high level driven by a series of favourable factors such as the continuous expansion of new and old infrastructure investment, the initial establishment of dual circulation (domestic and international circulation) development pattern, the development of urban agglomeration, the National Stage IV traffic restrictions, and the control of overload or over-limited. However, the non-sustainable early policies such as free highway and tax and fee cuts of enterprise amid the epidemic will lead to a certain decline in the commercial vehicle market. It is expected that the sales volume of commercial vehicles will achieve 4.4 million units in 2021, a year-on-year decrease of 14.0%. The passenger cars market will show a recovery growth, due to the weakened epidemic, the more normal purchase intention of cars, and the rapid recovery of consumer demands. The users to buy one more or change a new car and the post-90s young group have become the backbone of consumption. It is estimated that the sales volume of passenger cars will reach 21.81 million in 2021, up 8.0% year over year. In conclusion, the total vehicle sales in 2021 are expected to be 26.2 million units, a 3.5% increase over last year.

In 2021, the value chain of the automobile industry is expected to be reconstructed and will transfer to software. With the accelerated penetration of NEVs, the underlying electronic and electrical architecture of vehicles are gradually transformed from distributed to centralized; real-time operating system comes into existence; ICVs are gradually approaching; the attributes of vehicles

will be defined by software, and then bring about the reconstruction of industrial value chain. *Energy-saving and New Energy Vehicle Technology Roadmap 2.0* proposed that the sales volume (from 2020 to 2025) of PA-level (L2, partial autonomous driving) and CA-level (L3, conditional autonomous driving) ICVs will account for more than 50% of the total sales volume of vehicles in that year; HA-level (L4, highly autonomous driving) ICVs will start to enter the market; the assembly rate of new vehicles at C-V2X terminal will reach 50%, and HA-level vehicles will be commercialized in specific scenarios and limited areas. In the field of passenger cars, the large-scale application of CA-level and the preliminary application of HA-level are expected to realize in 2025; the large-scale application of HA-level will be realized in 2030; and the application of FA-level (L5, full autonomous driving) will come into use in 2035. The pace of development in the CVs field is similar with that of PVs.

(II) The Company adheres to the development vision of "becoming a leader in the light commercial vehicle industry and a provider of Ford's cost-effective products," and the values of "integrity, dedication, innovation and cooperation". The Company's commercial vehicles are positioned as a supplier of comprehensive solutions for urban and mainline logistics products and services, and passenger cars have made breakthroughs and large developments in the small and medium-sized markets. In the future, the Company will focus on innovation and services, promote structural adjustment, continue to vigorously implement product innovation-driven development, integrate resources to strengthen technological innovation, and promote product innovation in the market; deepen transformation and adjustment, adhere to business model innovation; and comprehensively enhance product core competitiveness. The Company will focus on core business, concentrate on intensive cultivation in segmented areas, pursue a customer-oriented service, improve market awareness of the whole value chain, and actively build the company's products into market segment leaders. The Company will also aim at the new trends in the automotive industry and promote the implementation of the "new four modernization" development strategy of "electrification, intelligent networking, sharing, and autonomous driving". The layout has completed in the core fields of NEVs, ICVs, and autonomous driving, etc. and through the overall coordination and integration of the four modernizations, the construction of a future-oriented and globally competitive business ecosystem is accelerated.

(III) Business plan

The Company is targeting 2021 sales volume level at 400 thousand units and revenue level at RMB 40 billion, up 21% and 21% respectively from 2020. To enhance revenue and profitability, the Company is committed to the following plans in 2021:

1. Always take the customer as the core, continuously improve the customer service capacity, have a deep insight into customer needs, creatively integrate big data, marketing, customer service, channel development and so

- forth, ensuring that customer experience improved and customer benefits maximized;
2. Continue to consolidate and enhance the Company's leading edge in the field of light commercial vehicles, strengthen the construction of marketing system and dealers' capacity building, and maintain and expand the growth momentum of light commercial vehicles;
 3. Continue to launch Ford brand cost-effective passenger cars, provide customers with the best experience in the auto industry through the upgraded JMC- Ford passenger car channels, vigorously increase the popularity and sales of passenger vehicles;
 4. Accelerate the R&D of new generation upgrade products of light commercial vehicles, perfect the vehicle lineages; promote the upgrading of intelligent networking functions of products, better meet the needs of customers, and accelerate the formulation and implementation of new energy strategies;
 5. Promote digital transformation, build intelligent middle platform and manufacturing factories, and establish and internalize core software competitiveness;
 6. Strengthen corporate governance, improve risk assessment and control mechanisms, and boost the systematic construction of key strategic elements such as business strategy, competition strategy, capacity building, accelerator, etc.
 7. Continue to advance cost reduction and efficiency increase, optimize production capacity and lean management to lay a solid foundation for the implementation of the Company's overall strategy;
 8. Expand finished vehicle exports and OEM components sales business.

(IV) Potential Challenges and Solutions

Amid regional outbreaks of global COVID-19 in 2021, there is still uncertainty in the recovery and growth of the world economy. China is actively promoting the construction of the new dual circulation development pattern. Stimulating consumption will be a long-term policy orientation, and both supply and demand will usher in dual upgrading. With the rise of new car-making forces, stricter legal requirements and rising raw material prices, industry competition will be further intensified. To maintain steady growth, the Company will continue to focus on the following areas:

1. Continue to make efforts in the prevention and control of the epidemic, and steadily promote the Company's production and sales;
2. Show an in-depth insight into customer needs and changes in the market environment, find new business growth points, and gain market in disruptive industry changes;
3. Vigorously develop intelligent and digital products, transform from product providers to full ecological providers, improve customer experience and open up new sources of profits;
4. Focus continuously on national regulations and policies and energy conservation and environmental protection requirements, keep up with the pace of policies, and actively promote the upgrading of product technology;

5. Improve supplier capabilities and component quality, and continue to reduce component procurement costs;
6. Strengthen corporate governance, strictly follow national laws and regulations, and improve risk assessment and control mechanisms;
7. Continuous expense management and control to optimize business structure;
8. Through the established process optimization team, create a lean and efficient organization to respond flexibly to market changes;

The Company will focus on light commercial vehicles with the support of SUV, continue to consolidate the core business, and lay a solid foundation; at the same time, the Company will speed up its digital transformation, expand new businesses and profit models, and build a stable platform for sustainable development in the future. By strengthening sales channel construction, market awareness and consumer satisfaction are enhanced; Furthermore, the Company will promote new products design and development, achieve the quality and cost targets for new products to accelerate the progress of launching new competitive products to the market, continue to expand market share, boost profits, create stable cash flow to support future business development, and improve the company's profitability.

10. External research and media interview to the Company

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

Applicable Not Applicable

| Date | Communication Method | Type of Object | Information Discussed and Materials offered |
|---|----------------------|----------------------|---|
| July 07, 2020 | On-the-spot research | Institution | JMC Operating highlights |
| July 17, 2020 | Other | Individual Investors | JMC Operating highlights |
| Reception times | | | 2 |
| Visiting institution number | | | 9 |
| Visiting person number | | | 16 |
| Other objects | | | 0 |
| Whether to disclose, reveal or divulge the undisclosed material information | | | None |

Chapter V Major Events

1. Profit distribution and capital reserve conversion regarding common stock Establishment, implementation or adjustment of profit distribution policy, esp. cash dividend distribution policy, regarding common stock during the reporting period
Applicable Not Applicable

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

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

Profit distribution plan or proposal in the recent three years

(1) Proposal on Year 2020 Profit Distribution

The Board of Directors approved to submit to the 2020 Annual Shareholders' Meeting the following proposal on year 2020 profit distribution:

A cash dividend of RMB 34.76 (including tax) will be distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2020, the total cash dividend distribution amounts shall be RMB 3,000,531,864.

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

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

(2) Year 2019 Profit Distribution Plan

A cash dividend of RMB 0.7 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2019, total cash dividend distribution amounts were RMB 60,424,980.

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

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

(3) Year 2018 Profit Distribution Plan

A cash dividend of RMB 0.4 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2018, the total cash dividend distribution amounts were RMB 34,528,560.

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

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

Table of cash dividend in the recent three years

Unit: RMB'000

| | Cash dividend (Including tax) | Profit attributable to the equity holders of the Company in that year | Cash dividend as % of profit attributable to the equity holders of the Company |
|------|-------------------------------|---|--|
| 2020 | 3,000,532 | 550,699 | 544.86% |
| 2019 | 60,425 | 147,812 | 40.88% |
| 2018 | 34,529 | 91,833 | 37.60% |

The Company made a profit during the reporting period and the profit of the parent company distributable to the common shareholders is positive, but a distribution plan of cash dividends for the common shares is not put forward

Applicable Not Applicable

2. Proposal on Year 2020 Profit Distribution Plan or Capital Reserve Conversion

Applicable Not Applicable

| | |
|---|---------------|
| Stock dividend (share) for every 10 shares | 0 |
| Cash Dividend (RMB) for every 10 shares (including tax) | 34.76 |
| Total share capital (share) | 863,214,000 |
| Total cash dividend distribution amounts (RMB) (including tax) | 3,000,531,864 |
| Amount of cash dividend (RMB) in other ways (e.g. repurchase of shares) | 0 |
| Total cash dividend amounts (RMB) (including other ways) | 3,000,531,864 |
| Distributable profit (RMB) | 8,863,969,769 |
| Total cash dividends (including other ways) as a proportion of total profit distribution | 100% |
| Cash dividend status | |
| If the development stage of the Company is not easy to distinguish but there are major fund expenditure arrangements, the minimum proportion of cash dividends in this profit distribution shall reach 20% when the profit distribution is carried out. | |
| Detailed description of profit distribution or capital reverse conversion proposal | |

Audited by PricewaterhouseCoopers Zhong Tian LLP, the Company achieved the net profit of RMB 550,698,958 in 2020, plus the undistributed profits of RMB 8,373,695,791 at the beginning of 2020, and deducting the 2019 cash dividend of RMB 60,424,980 paid out on July 22, 2020, the Company's distributable profit for shareholders is RMB 8,863,969,769 as of December 31, 2020,

The Company plans to distribute a cash dividend of RMB 34.76 (including tax) for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2020, the total cash dividend distribution amounts shall be RMB 3,000,531,864. The cash dividend on B share shall be paid in Hong Kong Dollars and converted at the middle rate of the HK dollar's exchange rate against RMB quoted by the People's Bank of China on the first working day following the relevant resolution adopted by the Company's Annual Shareholders' Meeting. The Board decided not to convert the capital reserve to the share capital this time. The proposal is subject to the approval of the Company's 2020 annual shareholders' meeting.

3. Commitments

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

Applicable Not Applicable

(2) Earnings forecast of the assets or project and the explanations

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

There is no change in accounting policies, accounting estimates and accounting methods during the reporting period.

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

Applicable Not Applicable

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

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

Applicable Not Applicable

JMC Heavy Duty Vehicle Co., Ltd., a whole-owned subsidiary of JMC, was separated per vehicle and engine business into the surviving company "JMC Heavy Duty Vehicle Co., Ltd." and the derived new company "Taiyuan Jiangling Power Co., Ltd." in August 2020. After the separation, JMC Heavy Duty Vehicle

Co., Ltd. and the new derivative company Taiyuan Jiangling Power Co., Ltd. are included in the consolidated scope.

9. Appointment or Dismissal of Accounting Firm

Current accounting firm

| | |
|---|---------------------------------------|
| Name | PricewaterhouseCoopers Zhong Tian LLP |
| Compensation (RMB'000) | 2,000 |
| Consecutive years offering audit services | 19 |
| Names of signed accountants | Lei Fang, Ye Dan |
| Consecutive years offering audit services of signed accountants | Lei Fang 4 year, Ye Dan 3 year |

Dismissal of accounting firm

Applicable Not Applicable

Appointment of C-SOX auditor, financial consultant or sponsor

Applicable Not Applicable

Upon the approval of 2017 Annual Shareholders' Meeting, JMC agreed to appoint PricewaterhouseCoopers Zhong Tian LLP as JMC's 2019 to 2021 C-SOX auditor. In 2020, JMC paid RMB 550 thousand to PricewaterhouseCoopers Zhong Tian LLP for the C-SOX audit.

10. Suspension and Termination of Listing after Annual Report Disclosed

Applicable Not Applicable

11. Related Matters regarding Bankruptcy

Applicable Not Applicable

There was no matter involving bankruptcy during the reporting period.

12. Major Litigation or Arbitration

Applicable Not Applicable

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

13. Punishment

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

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

16. Major Related Transactions

(1) Routine related party transactions

Please refer to the Note 7 related party transactions of the notes to the consolidated financial statements in the Chapter XII Financial Statements for details.

(2) Major related party transaction concerning transfer of assets or equity

Applicable Not Applicable

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

(3) Related party transaction concerning outside co-investment

Applicable Not Applicable

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

(4) Related credit and debt

Applicable Not Applicable

Is there non-operating related credit and debt?

Yes No

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

(5) Other major related party transactions

Applicable Not Applicable

The announcement on Related Party Transactions

| Name | Disclosure Date | Index |
|---|-------------------|---|
| Public Announcement on Related Party Transactions | March 4, 2020 | The announcement (No: 2020-006) was published in the website www.cninfo.com.cn . |
| Public Announcement on the 2020 Forecast Routine Related Party Transactions | March 26, 2020 | The announcement (No: 2020-009) was published in the website www.cninfo.com.cn . |
| Public Announcement on Related Party Transactions | April 8, 2020 | The announcement (No: 2020-015) was published in the website www.cninfo.com.cn . |
| Public Announcement on Related Party Transactions | September 5, 2020 | The announcement (No: 2020-038) was published in the website www.cninfo.com.cn . |
| Public Announcement on the 2021 Forecast Routine Related Party Transactions | December 8, 2020 | The announcement (No: 2020-048) was published in the website www.cninfo.com.cn . |

17. Major Contracts and Execution

(1) Entrustment, contract or lease

a. Entrustment

Applicable Not Applicable

There was no entrustment in the reporting period.

b. Contract

Applicable Not Applicable

There was no contract in the reporting period.

c. Lease

Applicable Not Applicable

Please refer to the Note 4 (13), note 4 (28) and note 7 (5) (b) of the financial statements in the Chapter XII Financial Statements for detail.

Project with more than 10% of net profit

Applicable Not Applicable

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

(2) Major guarantee

Applicable Not Applicable

The Company had no outside guarantee in the reporting period.

(3) Entrustment on cash asset management

a. Trust investment

Applicable Not Applicable

There was no trust investment in the reporting period.

b. Entrusted loan

Applicable Not Applicable

There was no entrusted loan in the reporting period.

(4) Major contracts for daily operation

Applicable Not Applicable

(5) Other major contract

Applicable Not Applicable

18. Corporation Social Responsibilities

(1) Corporation Social Responsibilities

In 2020, the world has experienced a sudden new corona virus epidemic. The epidemic has caused a comprehensive and profound impact on personal life and work, on company operations, and on the automotive industry and social and economic development. All these bring huge challenges to society. JMC assumed the responsibility of a corporate citizen in the epidemic, and donated 10 Ford Transit negative pressure ambulances known as the "first vehicle in the fight" to Wuhan in the first time.

JMC always consciously undertake social responsibility and create brand public-benefit "Jiangling Xiqiao Project" with the aim of "Green, Love, and Safe". By 2020, JMC invested a total of more than RMB 32.38 million to build 412 river bridges distributed in 25 provinces, municipalities, and autonomous regions, and 128 counties more than 600,000 villagers benefited.

During the reporting period, the Company operated according to law and regulations, upheld the interest of the shareholders, especially small & medium-sized shareholders, protected the legitimate rights and interests of employees, and treated suppliers, customers and consumers sincerely. Simultaneously, JMC paid attention to environmental protection, energy saving and consumption reduction,

fully reduced energy consumption and pollutant discharge, and actively fulfilled corporate social responsibility.

JMC 2020 Corporation Social Responsibilities Report can be downloaded from JMC official website: www.jmc.com.cn or the website: www.cninfo.com.cn.

(2) Targeted Measures in Poverty Alleviation

a. Plan on poverty alleviation

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

Second, Jiangling Xiqiao Project, founded in 2007, was jointly initiated by the China Foundation for Poverty Alleviation, China Automobile News and Jiangling Motors Co., Ltd. And this project aims at “Establishing Love and Providing Bridges for People”. It provides funds for the construction of caring bridges in some underdeveloped areas of our country and carries out charitable activities such as donating funds to aid students, books donations, teaching assistants and clothes donations.

b. Summary of poverty alleviation in 2020

First, the Company regards the realization of precision poverty relief as the basic strategy of precision poverty alleviation. All registered poor households had been lifted out of poverty by October 2020. Second, JMC has donated RMB 2 million to the "Jiangling • Xi Bridge Project" in 2020 to provide funds to build convenient bridge.

c. Status of targeted measures in poverty alleviation

| Item | Unit | Amount/Progress |
|---|------------|-----------------|
| I. Brief Introduction | — | — |
| including: 1. Funding | RMB ('000) | 2,000 |
| 2. Sum converted from the materials | RMB ('000) | 74.8 |
| 3. Persons get rid of poverty | Persons | 4 |
| II. Investments | — | — |
| 1. Anti-poverty depending on industry development | — | — |
| including: 1.1 Type | — | |
| 1.2 Projects | Number | |
| 1.3 Investment amount | RMB ('000) | |
| 1.4 Persons get rid of poverty | Persons | |
| 2. Anti-poverty depending on employment transfer | — | — |
| including: 2.1 Investments on vocational skills | RMB ('000) | |
| 2.2 Training persons regarding vocational skills | Persons | |
| 2.3 Employment Persons | Persons | |

| | | |
|--|------------|-------|
| 3. Anti-poverty depending on relocation | — | — |
| including: 3.1 Employment persons among relocated persons | Persons | |
| 4. Anti-poverty depending on education | — | — |
| including: 4.1 Grants in aid to poor students | RMB ('000) | 10 |
| 4.2 Poor students in aid | Persons | 12 |
| 4.3 Investments on the improvement of educational source in poverty-stricken are | RMB ('000) | |
| 5. Health Anti-poverty | — | — |
| Including: 5.1 Investments on medical and health services in poverty-stricken area | RMB ('000) | |
| 6. Ecological protection anti-poverty | — | — |
| including: 6.1 Project type | — | |
| 6.2 Investment amount | RMB ('000) | |
| 7. Miscellaneous provisions | — | — |
| including: 7.1 Investments on stay-at-home children, women and elderly | RMB ('000) | 64.8 |
| 7.2 Number of stay-at-home children, women and elderly in aid | Persons | 34 |
| 7.3 Investments on poor & disable people | RMB ('000) | |
| 7.4 Number of poor & disable people in aid | Persons | |
| 8. Social anti-poverty | — | — |
| including: 8.1 Investments on cooperation between West China and East China | RMB ('000) | |
| 8.2 Investments on one-to-one anti-poverty | RMB ('000) | |
| 8.3 Investments from anti-poverty charity fund | RMB ('000) | |
| 9. Other | — | — |
| including: 9.1.Project | Number | 1 |
| 9.2.Investment amount | RMB ('000) | 2,000 |
| 9.3. Persons getting rid of poverty | Persons | |
| III. Awards | — | — |

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

First, JMC will consolidate the achievements of poverty alleviation in Qianmo Village, Dai Jiapu Township, Suichuang County, Jiangxi Province and Xianting Village, Songhu Town, Xinjian District, Nanchang City, and link up the work of rural revitalization. Second, JMC will continue to invest in the "Jiangling • Xiqiao Project", so that more residents can travel safely and provide new historical opportunities for the local economic development.

(4) Environmental protection

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

Yes No

| | | |
|--|---|---|
| Name of principal pollutant and specific pollutant | Wastewater (COD, NH-N) | Exhaust gas (SO ₂ , NO _x , smoke, toluol, xylene) |
| Mode of discharge | continuous discharge | continuous discharge |
| Number of discharge outlet | 6 | 148 |
| Distribution of discharge outlet | 3 in Mainsite, 1 in Xiaolan Site, 1 in Cast Plant and 1 in Axle Plant | 51 in Mainsite, 58 in Xiaolan Site, 33 in Cast Plant and 6 in Axle Plant |
| Discharge concentration | "COD:82mg/L NH-N:1.24mg/L" | SO ₂ : 3mg/m ³ ; NO _x :74mg/m ³ ; smoke: 20mg/m ³ ; toluol :0.263mg/m ³ ; dimethylbenzene:9.93mg/m ³ ; |
| Applicable standard for pollutant discharge | "Wastewater Discharge Standard"(GB 8978-1996) | "The Emission Standard of Air Pollutants", "Emission Standard of Air Pollutants for Boiler" (GB 13271-2014) |
| Total amount of discharge | COD: 63.92t; NH-N: 1.19 | NO _x : 9.26t |
| Total amount of discharge audited | COD≤841.68t; NH-N≤83.1414t | NO _x ≤37.69t |
| Excessive discharge | Meet Standard | Meet Standard |

The construction and operation of pollutant preventive and control facilities

In 2020, the Company has controlled the casting odor in the plant to ensure the exhaust gas pollutants up to the standard. And the Company has built a 600-mu (equivalent to 98.842 acres) wastewater treatment station for the Xiaolan Frame Plant to reach the requirements for wastewater discharge standards. JMC has started the VOCs control project of the Xiaolan Plant to consistent with regulatory compliance standards. The Company built Jiangling Fushan factory waste water station and solid waste storage station. Solid waste storage station strictly according to the requirements stored general solid waste and hazardous waste to meet the requirements of the regulations. JMC has implemented the painting energy-saving renovation project, and this project investment is RMB 5.88 million, saving 480 tons of standard coal per year.

EIA on construction project and other administrative permits for environmental protection

The Company strictly implements the construction project environmental impact assessment system. With respect to new construction, expansion and reconstruction, JMC comprehensively planned environmental protection and evaluated the "Three Simultaneities". From the source of design, JMC carried out the philosophy of energy saving and low carbon all the time. The Company carries on the environmental monitoring every year according to the requirements, ensures the pollutant discharge meeting the requirements of discharge permit, formulates the stricter internal control target, and strives to reduce the impact of environmental pollution to the minimum. The Company obtains the parts relocation transformation project, the automobile production line adjustment transformation

and the capacity optimization project (Fushan factory) the environmental impact assessment approval.

Emergency plan on emergency environmental incidents

In order to dilute or prevent environmental risks, JMC established an emergency preparation and response procedure and specific environmental emergency plans, so as to formulate corresponding control methods for potential accidents and emergencies occurred or that may probably occur, and has been filed with the environmental protection bureau. JMC organizes various emergency drills to test the effectiveness of the plan.

Environmental self-monitoring scheme

JMC's Qingyunpu Main Plant Area and Xiaolan Plant Area were listed as a key pollutant discharging organization of wastewater/hazardous wastes, and its monitored by itself in strict accordance with the *Method for Self-monitoring and Information Disclosure of State Key Monitoring Enterprises (Trial)*. Its self-monitoring schemes, monitoring results and annual monitoring reports on pollution sources were disclosed on the "Jiangxi Province pollution source enterprise portal system".

Other information related to environmental protection

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

19. Other Major Events

Applicable Not Applicable

In 2020, the Company received government incentives of approximate RMB 292 million appropriated from Nanchang City, Nanchang Xiaolan Economic and Technological Development Zone, Nanchang County and Shanxi Comprehensive Transformation Reform Demonstration Zone, which is to support the daily operation and development of the Company.

20. Major event of JMC subsidiary

Applicable Not Applicable

JMC Heavy Duty Vehicle Co., Ltd., a whole-owned subsidiary of JMC, was separated per vehicle and engine business into the surviving company "JMC Heavy Duty Vehicle Co., Ltd." and the derived new company "Taiyuan Jiangling Power Co., Ltd." in August 2020. The Board of Directors approved in October 2020 to sell 60% of the equity ("Transaction Equity") of Taiyuan Jiangling Power Co., Ltd. through the public bidding process at Shanghai United Assets and Equity Exchange at a price of no less than RMB 359,975.1 thousand. At the expiration of the bidding announcement period, the above subject matter is solicited to an intended transferee, Yunnan Yunnei Power Group Co., Ltd. (hereinafter referred to as "Yunnei Group"), with a delisting price of RMB 360 million. In January 2021, the

Company and Yunnei Group signed by consensus the corresponding assets and equity transaction contract in accordance with the relevant trading rules of Shanghai United Assets and Equity Exchange. As of the date of disclosure of the report, the relevant transactions between the Company and Yunnei Group are still in progress.

Chapter VI Share Capital Changes & Shareholders

1. Changes of shareholding structure

I. Table of the changes of shareholding structure

| | Before the change | | Change (+, -) | | | | | After the change | |
|--------------------------------|-------------------|--------------------------------|---------------|--------------|--------------------------|--------|----------|------------------|--------------------------------|
| | Shares | Proportion of total shares (%) | New shares | Bonus Shares | Reserve-converted shares | Others | Subtotal | Shares | Proportion of total shares (%) |
| I. Limited tradable A shares | 750,915 | 0.09% | | | | -75 | -75 | 750,840 | 0.09% |
| 1. Other domestic shares | 750,915 | 0.09% | | | | -75 | -75 | 750,840 | 0.09% |
| Including: | | | | | | | | | |
| Domestic legal person shares | 749,940 | 0.09% | | | | -4,800 | -4,800 | 745,140 | 0.09% |
| Domestic natural person shares | 975 | | | | | 4,725 | 4,725 | 5,700 | |
| II. Unlimited tradable shares | 862,463,085 | 99.91% | | | | 75 | 75 | 862,463,160 | 99.91% |
| 1. A shares | 518,463,085 | 60.06% | | | | 75 | 75 | 518,463,160 | 60.06% |
| 2. B shares | 344,000,000 | 39.85% | | | | | | 344,000,000 | 39.85% |
| III. Total | 863,214,000 | 100.00% | | | | 0 | 0 | 863,214,000 | 100.00% |

Causes of shareholding changes

Applicable Not Applicable

JMC did not issue shares or derivative securities during the past three years as of December 31, 2020. JMC's total shares remained unchanged in 2020, and the change in shareholding structure was caused by the former executive Zhu Shuixing left the Company for more than half a year, and the trading restriction on his JMC shares was relived on January 1, 2020; and the limited A shares of 4,800 shares, held by Shenzhen Airport Terminal Building Co., Ltd., a domestic legal person shareholder, were transferred to nature person shareholders in July 2020.

Approval of changes of shareholding structure

Applicable Not Applicable

Shares Transfer

Applicable Not Applicable

The limited A shares of 4,800 shares, held by Shenzhen Airport Terminal Building Co., Ltd., a domestic legal person shareholder, were transferred to nature person shareholders in July 2020.

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

Applicable Not Applicable

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

Applicable Not Applicable

II. Changes of limited A shares

Applicable Not Applicable

| Name of shareholder | Number of restricted shares at the beginning of the period | Increase of restricted shares in the current period | Number of shares released in the current period | Number of restricted shares at the end of the period | Reasons for trading restriction | Release date |
|---------------------|--|---|---|--|---------------------------------|-----------------|
| Zhu Shuixing | 75 | 0 | 75 | 0 | Held by a senior executive | January 1, 2020 |
| total | 75 | 0 | 75 | 0 | -- | -- |

2. Securities Issuance and Listing

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

Applicable Not Applicable

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

Applicable Not Applicable

III. Current staff shares

Applicable Not Applicable

3. Shareholders and actual controlling parties

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

| Total shareholders as of the end of the reporting period | JMC had 45,681 shareholders, including 39,915 A-share holders, and 5,766 B-share holders, as of December 31, 2020. | | | | | |
|--|--|-----------------------------|---------------------------|--------------|---------------------------------|----------------------------------|
| Total shareholders as of the last month-end prior to the disclosure date of the Report | JMC had 37,731 shareholders, including 32,153 A-share holders, and 5,578 B-share holders, as of February 28, 2021. | | | | | |
| Top ten shareholders | | | | | | |
| Shareholder Name | Shareholder Type | Shareholding Percentage (%) | Shares at the End of Year | Change (+,-) | Shares with Trading Restriction | Shares due to mortgage or frozen |
| Nanchang Jiangling Investment Co., Ltd. | State-owned legal person | 41.03 | 354,176,000 | 0 | 0 | 0 |
| Ford Motor Company | Foreign legal person | 32 | 276,228,394 | 0 | 0 | 0 |
| China Securities Corporation Limited | Domestic non-State-owned legal persons | 2.33 | 20,106,899 | -3,351,167 | 0 | 0 |
| Shanghai Automotive Co., Ltd. | State-owned legal person | 1.51 | 13,019,610 | 0 | 0 | 0 |
| Central Huijin Investment Ltd. | State-owned legal person | 0.83 | 7,186,600 | 0 | 0 | 0 |
| Hong Kong Central Clearing Limited | Foreign legal person | 0.71 | 6,170,576 | 1,506,074 | 0 | 0 |
| GAOLING FUND, L.P. | Foreign legal person | 0.63 | 5,453,086 | 0 | 0 | 0 |
| INVESCO FUNDS | Foreign legal | 0.56 | 4,841,889 | 0 | 0 | 0 |

| | | | | | | |
|---|-------------------------|------------------------------------|-----------|-----------|------------|---|
| SICAV | person | | | | | |
| LSV EMERGING MARKETS EQUITY FUND, L.P. | Foreign legal person | 0.31 | 2,706,200 | -290,200 | 0 | 0 |
| Jin Xin | Domestic Natural Person | 0.30 | 2,596,400 | 2,596,400 | 0 | 0 |
| Notes on association among above-mentioned shareholders | | | None. | | | |
| Top ten shareholders holding unlimited tradable shares | | | | | | |
| Shareholder Name | | Shares without Trading Restriction | | | Share Type | |
| Nanchang Jiangling Investment Co., Ltd. | | 354,176,000 | | | A share | |
| Ford Motor Company | | 276,228,394 | | | B share | |
| China Securities Corporation Limited | | 20,106,899 | | | A share | |
| Shanghai Automotive Co., Ltd. | | 13,019,610 | | | A share | |
| Central Huijin Investment Ltd. | | 7,186,600 | | | A share | |
| Hong Kong Central Clearing Limited | | 6,170,576 | | | A share | |
| GAOLING FUND, L.P. | | 5,453,086 | | | B share | |
| INVESCO FUNDS SICAV | | 4,841,889 | | | B share | |
| LSV EMERGING MARKETS EQUITY FUND, L.P. | | 2,706,200 | | | B share | |
| Jin Xin | | 2,596,400 | | | B share | |
| Notes on association among above-mentioned shareholders | | None. | | | | |

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

Applicable Not Applicable

II. Controlling Shareholders

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

Type: Legal person

| Name | Legal representative | Established Date | Organization code | Main scope of business |
|---|------------------------|------------------|--------------------|---|
| Nanchang Jiangling Investment Co., Ltd. | Qiu Tiangao | May 28, 2019 | 91360125MA38LUR91F | investment management, industrial investment, asset management and other business. |
| Ford Motor Company | William Clay Ford, Jr. | January 1, 1903 | | to design, manufacture, market, and service a full line of Ford cars, trucks, sport utility vehicles ("SUVs"), electrified vehicles, and Lincoln luxury vehicles, provide financial services through Ford Motor Credit Company LLC, and be pursuing leadership positions in electrification, autonomous vehicles, and mobility solutions. |

Change of controlling shareholders

Applicable Not Applicable

III. Actual Controlling Parties

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

Type: Legal person

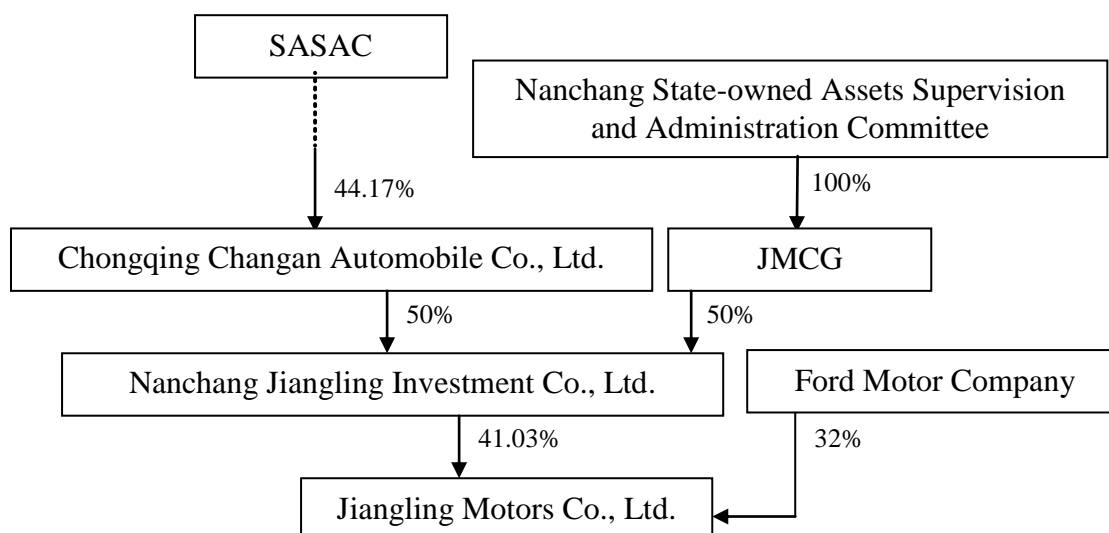
| Name | Legal representative | Established Date | Organization code | Main scope of business |
|--|----------------------|------------------|--------------------|--|
| JMCG | Qiu Tiangao | July 27, 1991 | 91360000158263759R | manufacturing of automobiles, engines, chassis, specialty vehicle, transmission, other products, automotive quality testing, sales of self-produced products and raw materials, equipment, electronic products, parts and others, as well as related after-sales services and maintenance services; development of products derived from JMC brand light vehicle; overseas auto project-contracting, export equipment, material and related labour services. |
| Chongqing Changan Automobile Co., Ltd. | Zhu Huarong | October 31, 1996 | 9150000020286320X6 | development, manufacturing, sales, import & export business of auto (including sedan), engine, automotive components, die, tools, installation of machinery, technological consultant services. |
| Equity of listed company in domestic and aboard market held by the entity controlled by the actual controlling party during the reporting period | | | | None |

Change of actual controlling parties

Applicable Not Applicable

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

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



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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

Chapter VII Preferred Shares

Applicable Not Applicable

JMC had no preferred shares in the reporting period.

Chapter VIII Convertible Bond

Applicable Not Applicable

JMC have no Convertible Bond during the reporting period.

Chapter IX Directors, Supervisors, Senior Management and Employees

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

| Name | Position | Gender | Age | Term of Office | Shares at the period-beginning | Share Change in the reporting period | Shares at the period-end |
|-----------------------|----------------------|--------|-----|-----------------------|--------------------------------|--------------------------------------|--------------------------|
| Qiu Tiangao | Chairman | Male | 54 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Anning Chen | Vice Chairman | Male | 59 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Wan Jianrong | Director | Male | 55 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Thomas Peter Hilditch | Director | Male | 43 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Manto Wong | Director & President | Male | 58 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Jin Wenhui | Director & EVP | Male | 53 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Chen Jiangfeng | Independent Director | Male | 41 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Wang Yue | Independent Director | Female | 42 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Li Xianjun | Independent Director | Male | 53 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Xiao Hu | Chief supervisor | Male | 52 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Alvin Qing Liu | Supervisor | Male | 63 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Zhang Jian | Supervisor | Male | 51 | 2020.06.19-2023.06.18 | 40 | 0 | 40 |
| Ding Zhaoyang | Supervisor | Male | 51 | 2020.06.19-2023.06.18 | 20 | 0 | 20 |
| Chen Guang | Supervisor | Male | 47 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Xiong Chunying | EVP | Female | 56 | 2020.06.19-2023.06.18 | 1,200 | 0 | 1,200 |
| Li Weihua | CFO | Female | 43 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Wan Hong | VP | Male | 59 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Li Xiaojun | VP | Male | 45 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Ding Wenmin | VP | Male | 48 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Eric Hermann | VP | Male | 46 | 2021.02.01-2023.06.18 | 0 | 0 | 0 |
| Liu Shuying | VP | Female | 58 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Jerry Lin | VP | Male | 44 | 2020.08.01-2023.06.18 | 0 | 0 | 0 |
| Wu Xiaojun | VP | Male | 46 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |

| | | | | | | | |
|--------------|-------------------------|--------|----|-----------------------|------|---|------|
| Luo Xiaofang | VP | Female | 42 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Yu Jianbin | VP | Male | 52 | 2020.06.19-2023.06.18 | 0 | 0 | 0 |
| Xu Lanfeng | Board Secretary | Female | 52 | 2020.12.04-2023.06.18 | 0 | 0 | 0 |
| Lu Song | Ex-Independent Director | Male | 63 | 2017.06.29-2020.06.18 | 0 | 0 | 0 |
| Wang Kun | Ex-Independent Director | Female | 44 | 2017.06.29-2020.06.18 | 0 | 0 | 0 |
| Mike Chang | Ex-VP | Male | 54 | 2017.06.29-2020.07.31 | 0 | 0 | 0 |
| Milton Wong | Ex-VP | Male | 46 | 2020.06.19-2021.01.31 | 0 | 0 | 0 |
| Wan Hong | Ex- Board Secretary | Male | 59 | 2020.06.19-2020.12.03 | 0 | 0 | 0 |
| | Total | | | | 1260 | 0 | 1260 |

2. Changes of Directors, Supervisors and Senior Management

| Name | Position | Status | Date | Reason |
|-------------|----------------------|--------|------------|--------------------------------|
| Lu Song | Independent Director | Leave | 2020.06.18 | The term of office has expired |
| Wang Kun | Independent Director | Leave | 2020.06.18 | The term of office has expired |
| Mike Chang | VP | Leave | 2020.07.31 | Work rotation |
| Wan Hong | Board Secretary | Leave | 2020.12.03 | Work rotation |
| Milton Wong | VP | Leave | 2021.01.31 | Work rotation |

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

Directors:

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

Mr. Anning Chen, born in 1961, holds a Ph.D. in Engineering from the University of Cincinnati, Ohio, U.S. and MBA from the University of Michigan Ross Business School, Ann Arbor, Michigan, U.S., and is a Group Vice President and President of Ford China for Ford Motor Company, President and CEO of Ford Motor (China) Ltd., and Vice Chairman of JMC. Mr. Anning Chen first began his distinguished career at Ford Motor Company in 1992, and during his seventeen years at Ford, he held various executive management roles. Most recently, Mr. Anning Chen was CEO of Chery Automobile LTD, China as well as Chairman of the Board of Directors for Chery Jaguar Land Rover Automotive, China.

Mr. Wan Jianrong, born in 1965, holds a Bachelor's Degree in Mechanical Manufacturing from Central China Engineering College and a MBA from Jiangxi University of Finance & Economics. He is Director and General Manager of JMCG, Director of Nanchang Jiangling Investment Co., Ltd. and Director of JMC. Mr. Wan Jianrong has held various positions including Deputy Manager and Manager for Engine Plant of JMC, Assistant to the President and Vice President of JMC, Deputy General Manager of JMCG, and Executive Deputy General Manager and General Manager of Jiangxi Isuzu Automobile Co., Ltd.

Mr. Thomas Peter Hilditch, born in 1977, holds a Bachelor's Degree in Chemistry from University of London and a Master's Degree in Management Accounting from the Chartered Institute of Management Accountants, and is Director and Chief Financial Officer of Ford Motor (China) Ltd. and Director of JMC. Mr. Hilditch held various positions including Controller of Ford Otosan, Purchasing Controller of Ford Asia Pacific, Chief Financial Officer of Ford Sollers, and Chief Operating Officer of Ford Sollers.

Mr. Manto Wong, born in 1962, holds a Bachelor's Degree in Computer Engineering and a Master's Degree in Business Administration from the University of Michigan, U.S.A., and is Director and President of JMC. Mr. Manto Wong held various positions including Manager of U.S. Market Analysis Department of Ford, Chief Financial Officer of JMC, Chief Financial Officer of Ford Japan operations, Director of Business Strategy for Asia Pacific of Ford, Vice President and Chief Financial Officer for Ford Motor (China) Ltd., and Vice President of Finance for Changan Ford.

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

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

Mr. Chen Jiangfeng, born in 1979, holds a Bachelor's Degree and Master's Degree in Law from International Law Department, Foreign Affairs College, and is Senior Deputy General Counsel & Executive Director of Gilead (Shanghai) Pharmaceutical Technology Co., and an Independent Director of JMC. Mr. Chen Jiangfeng has held various positions including Legal Counsel of Ford Motor (China)

Ltd., Legal Counsel of Ford Motor Research & Engineering (Nanjing) Co., Ltd./Changan Ford Mazda Automobile Corporation, Ltd., Nanjing Company/Changan Ford Mazda Engine Company, Ltd., Senior Legal Counsel & Compliance Officer of Ford Asia Pacific & Africa, Senior Legal Counsel of BMW China Automotive Trading Ltd., and Member of China Country Council, Head of legal, Director, Merck Healthcare China.

Ms. Wang Yue, born in 1978, holds a Bachelor's Degree in Accountancy from Henan University, a Master's Degree in Accountancy from Zhongnan University of Economics and Law, and a Doctor's Degree in Accountancy from Shanghai University of Financial and Economics, and is an Associate Professor of School of Accountancy for Shanghai University of Financial and Economics, an Independent Director of JMC, an Independent Director of Shanghai Xinhua Media Co., Ltd., an Independent Director of Zhuhai Letong Chemical Co., Ltd., an Independent Director of Meishe International Logistics Group Co., Ltd., an Independent Director of Jiangsu Hongde Special Components Co., Ltd., and an Independent Director of Guangdong Yangshan United Precision Manufacturing Co., Ltd. Ms. Wang Yue has served as Research Assistant at The Hong Kong Polytechnic University and China Europe International School, and during 2012~2013, served as Visiting Scholar at Zimmerman Center for University of Illinois at Urbana-Champaign.

Supervisors:

Mr. Xiao Hu, born in 1968, holds a Bachelor's Degree in Radio from Information Science & Electronic Engineering Department of Zhejiang University, and is a member of the Standing Committee of the CPC, the secretary of Discipline Inspection Commission and Chairman of Supervisory Board for JMCG, and Chief Supervisor of JMC. Mr. Xiao Hu has served as a cadre in the General Office of the Nanchang Municipal People's Government, deputy director of the Office of the Working Committee of the Nanchang Hi-tech Industrial Development Zone, deputy director of the Software Industry Office of the Nanchang Hi-tech Industry Development Zone Administrative Committee, deputy head of the Organization Department of the Working Committee of Nanchang Hi-tech Industry Development Zone, deputy director of the Personnel and Labor Bureau of the Nanchang Hi-tech Industry Development Zone Administrative Committee, Head of the Organization Department of the Working Committee of Nanchang Hi-tech Industry Development Zone, and the Director of the Personnel Bureau of the Nanchang Hi-tech Industry Development Zone Administrative Committee.

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

Mr. Zhang Jian, born in 1969, holds a College Degree in Secretarial Professional from North China University of Technology, and is Chairman of JMCG Labor Union, Chairman of Supervisor Board of Nanchang Jiangling Investment Co., Ltd.,

and a Supervisor of JMC. Mr. Zhang Jian held various positions including Secretary of Chairman and Deputy Director of Office for JMC, Director of Office, Director of Communist Party Office, Chief of Publicity Department for JMCG, Assistant to General Manger of JMCG, and Senior Vice Chairman of JMCG Labor Union.

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

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

Senior management:

Mr. Manto Wong, please refer to the part of Directors for his resume.

Mr. Jin Wenhui, please refer to the part of Directors for his resume.

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

Ms. Li Weihua, born in 1977, holds a Bachelor's Degree in International Economic Law from Shanghai University of Finance and Economics and a MBA from Canada York University Schulich School of Business, and is the CFO of JMC, in charge of the Company's financial management. Ms. Li Weihua has held various positions including Finance Analyst of Ford China, Finance Analyst, and Finance Manager of Ford Motor Research & Engineering (Nanjing) Co., Ltd., MFG Finance Manager, PD Finance Manager, MFG Finance Controller, and PD Finance Controller for C and C SUV of Ford AP, and CFO of Ford Lioho.

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

Mr. Li Xiaojun, born in 1975, senior engineer, holds a Bachelor's Degree in Mechanical Design & Manufacturing from Jiangxi University of Science and

Technology and a Master's Degree in Industrial Engineering from Huazhong University of Science and Technology, and is a Vice President of JMC, in charge of the Company's quality, information and strategic planning. Mr. Li Xiaojun held various positions including Chief of JMC Quality Management Department, Plant Manager of Assembly Plant and Assistant to the President for JMC.

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

Mr Eric Hermann, born in 1964, holds a Bachelor's Degree in Engineering Mechanical and a Master's Degree in Engineering Mechanical from University of Michigan, and is a Vice President of JMC, in charge of the Company's product research and development. Mr. Eric Hermann held various positions in Ford Motor Company including Light Truck Exhaust Design Engineer, Vehicle NVH Supervisor, VE Launch Leader, Exhaust, AIS & Clutch Supervisor, AIS, Cooling, Exhaust & CAE Manager, BoF Cooling & Mounts Manager, Unibody Exhaust & AIS Manager, and Global AIS Manager, as well as the Director of Powertrain Engineering Department and Assistant President for JMC.

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

Mr. Jerry Lin, born in 1976, holds a Bachelor's Degree in Aerospace Engineering and a Master's Degree in Aerospace Engineering from Tamkang University, China Taiwan, and is a Vice President of JMC, in charge of Xiaolan Plant and Engine Plant. Mr. Jerry Lin held various positions including AE TCF & Powertrain Lead Engineer, AE TCF & Powertrain Supervisor, TCF MPE Superintendent for Ford Lio Ho Motor Co., Ltd., Program Manager of Ford Motor Company, Plant Launch & FPS Manager, TCF Area Manager, Body Area Manager, and Plant Manager of Changan Ford Automobile Co., Ltd..

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

Ms. Luo Xiaofang, born in 1978, holds a Bachelor's Degree in Economics from Central South University, China and a MBA from Maastricht University,

Netherlands, and is a Vice President of JMC, in charge of the Company's purchasing business. Ms. Luo Xiaofang held various positions including Raw Materials Purchasing Supervisor for Irving Schweizer Asia, and Senior Purchasing Manager for Ford AP.

Mr. Yu Jianbin, born in 1968, holds a Bachelor's Degree in Forging from Xi'an Jiaotong University, and is a Vice President of JMC, in charge of the Company's manufacturing operations. Mr. Yu Jianbin has held various positions including Manager for the Engineering Department, Manager for the Manufacturing & Logistics Department for Jiangling Motor Holdings Co., Ltd., Assistant to General Manager of Jiangxi Fire-fighting Vehicle Plant, Deputy General Manager of Jiangxi-Isuzu Motors Co., Ltd., and Deputy General Manager of JMCG Jingma Motors Co., Ltd.

Ms. Xu Lanfeng, born in 1969, holds a Bachelor's Degree in Forging Technology and Equipment from Jiangxi Industry University and a MBA from University of International Business and Economics, and is the Board Secretary and Assistant to the President of JMC, in charge of the Company's relevant duties of Board Secretary. Ms. Xu Lanfeng held various positions in JMC including Deputy Plant Manager of Framing Plant, Deputy Chief, Chief of Manufacture Department of JMC.

Positions at the shareholder entities

Applicable Not Applicable

| Name | Shareholder Entity | Title | Term of Office | Compensation Paid by Shareholder Entity (Y/N) |
|-----------------------|--------------------|--|----------------|---|
| Qiu Tiangao | JIC | Chairman | 2019.05.28 | N |
| Anning Chen | Ford | Group Vice President and President, Ford China | 2018.10.24 | Y |
| Wan Jianrong | JIC | Director | 2019.05.28 | N |
| Thomas Peter Hilditch | Ford | CFO, Ford China | 2019.08.01 | Y |
| Zhang Jian | JIC | Chairman of Supervisor Board | 2019.05.28 | N |
| Jin Wenhui | JIC | Director | 2019.05.28 | N |

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

Applicable Not Applicable

| Name | Entity | Title | Compensation Paid by Other Entities (Y/N) |
|-------------|-------------------------------------|----------|---|
| Qiu Tiangao | JMCG | Chairman | Y |
| | Jiangling Motor Holdings Co., Ltd. | Chairman | N |
| | Jiangxi ISUZU Co., Ltd. | Chairman | N |
| | JMCG New Energy Vehicle Co., Ltd. | Chairman | N |
| | JMCG Jingma Motors Co., Ltd. | Chairman | N |
| | Magna Powertrain (Jiangxi) Co. Ltd. | Director | N |

| | | | |
|-----------------------|---|--|---|
| | Nanchang Jiangling Dingsheng Investment Management Co. Ltd. | Chairman | N |
| | Nanchang Jiangling Investment Co. Ltd. | Chairman | N |
| | Nanchang Institute of Intelligent New Energy Vehicles | Chairman | N |
| Anning Chen | Ford Motor (China) Ltd. | President & CEO | N |
| | Changan Ford Automobile Co., Ltd. | Vice Chairman | N |
| | Lincoln Automobile Sales Service (Shanghai) Co., Ltd | Chairman | N |
| | Fordshuttle Trading (Shanghai) Co., Ltd. | Chairman | N |
| Wan Jianrong | JMCG | Director & General Manager | Y |
| | Nanchang Jiangling Investment Co. Ltd. | Director | N |
| | Jiangxi ISUZU Co., Ltd. | Director | N |
| | JMCG New Energy Vehicle Co., Ltd. | Director | N |
| | JMCG Jingma Motors Co., Ltd. | Director | N |
| | Nanchang Jiangling Dingsheng Investment Management Co. Ltd. | Director | N |
| | Jiangxi Yizhizhixing Automobile Operation Service co. Ltd. | Chairman | N |
| Thomas Peter Hilditch | Ford Motor (China) Ltd. | Director | N |
| | Changan Ford Automobile Co., Ltd. | Director | N |
| | Lincoln Automobile Sales Service (Shanghai) Co., Ltd | Director | N |
| | Ford blue Mach Technology (Nanjing) Co., Ltd | Chairman | N |
| | Chongqing Fast Service Technology Co., Ltd | Chairman | N |
| | Fordshuttle Trading (Shanghai) Co., Ltd. | Director | N |
| Manto Wong | JMC Heavy Duty Vehicle Co., Ltd. | Director | N |
| Jin Wenhui | Jiangxi Jiangling Group Special Vehicle Co., Ltd. | Chairman | N |
| | Jiangxi Jiangling Special-Purpose Vehicle Co., Ltd. | Director | N |
| | Nanchang Jiangling Investment Co., Ltd. | Director | N |
| | Jiangling Motor Sales Co., Ltd. | Legal Representative & Executive | N |
| | JMC Heavy Duty Vehicle Co., Ltd. | Director | N |
| | Hanon Systems (Nanchang) Co., Ltd. | Vice Chairman | N |
| | Shenzhen Fujiang New Energy Automobile Sales Co., Ltd. | Legal Representative | N |
| | Guangzhou Fujiang New Energy Automobile Sales Co., Ltd. | Legal Representative & Executive | N |
| Li Xianjun | Tsinghua University | Head and Academic Director of School of Automotive Engineering | Y |
| Chen Jiangfeng | Gilead (Shanghai) Pharmaceutical Technology Co., Ltd. | Executive director, Senior Deputy General Counsel | Y |

| | | | |
|---|--|-----------------------------|---|
| Wang Yue | Shanghai University of Finance and Economics | Associate professor | Y |
| | Shanghai XinHua Media Co.,Ltd. | Independent Director | Y |
| | Zhuhai Letong Chemical Co., Ltd. | Independent Director | Y |
| | Amass Freight International Co.,Ltd. | Independent Director | Y |
| | Jiangsu Hongde Special Parts Co.,Ltd. | Independent Director | Y |
| | Guangdong Yangshan United Precision Manufacturing Co.,Ltd. | Independent Director | Y |
| Xiao Hu | JMCG | Chief supervisor | Y |
| | JMCG Jingma Motors Co., Ltd. | Supervisor | N |
| | Jiangxi Jiangling Group Special Vehicle Co., Ltd. | Supervisor | N |
| | Jiangxi Jiangling Chassis Co., Ltd. | Supervisor | N |
| | Jiangling Dingsheng Investment Co., Ltd. | Supervisor | N |
| | Jiangxi Jiangling Real Estate Co., Ltd. | Chief supervisor | N |
| Alvin Qing Liu | Ford Motor (China) Ltd. | Director | N |
| | Changan Ford Automobile Co., Ltd. | Director | N |
| | Ford Motor Research (Nanjing) Co., Ltd. | Supervisor | N |
| | Ford Motor Research Test (Nanjing) Co., Ltd. | Supervisor | N |
| | Fordshuttle Trading (Shanghai) Co., Ltd. | Supervisor | N |
| Zhang Jian | JMCG | Chairman of the Labor Union | Y |
| | Nanchang Jiangling Investment Co. Ltd. | Chief supervisor | N |
| | Jiangling Motor Holdings Co., Ltd. | Supervisor | N |
| | JMCG New Energy Automobile Co. Ltd. | Supervisor | N |
| | Jiangxi Jiangling Special-Purpose Vehicle Co., Ltd. | Supervisor | N |
| | Jiangxi JMCG Specialty Vehicles Co., Ltd. | Supervisor | N |
| | Nanchang Gear Co., Ltd. | Chief supervisor | N |
| | JMCG Finance Co., Ltd. | Chief supervisor | N |
| | Jiangxi Lingrui Renewable Resources Development Co., Ltd. | Supervisor | N |
| | Jiangxi Jiangling Real Estate Co.,Ltd | Supervisor | N |
| | Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | Chief supervisor | N |
| | Magna Powertrain (Jiangxi) Co. Ltd. | Supervisor | N |
| Jiangxi Yizhizhixing Automobile Operation Service Co., Ltd. | Chief supervisor | N | |
| Xiong Chunying | JMC Heavy Duty Vehicle Co., Ltd. | Director | N |
| Li Weihua | Jiangling Motors Sales Co., Ltd. | Supervisor | N |
| | JMC Heavy Duty Vehicle Co., Ltd. | Director | N |
| | Taiyuan Jiangling Power Co., Ltd | Supervisor | |
| | Hanon Systems (Nanchang) Co., Ltd. | Director | N |
| | Shenzhen Fujiang New Energy Automobile Sales Co., Ltd. | Supervisor | N |
| | Guangzhou Fujiang New Energy Automobile Sales Co., Ltd. | Supervisor | N |
| Wan Hong | Jiangxi Hongdu Aviation Industry Co., Ltd. | Independent Director | Y |
| Li Xiaojun | Jiangxi Jiangling Motors Imp. & Exp. Co., | Director | N |

| | | | |
|--------------|----------------------------------|--|---|
| | Ltd. | | |
| Ding Wenming | JMC Heavy Duty Vehicle Co., Ltd. | Director | N |
| Wu Xiaojun | Taiyuan Jiangling Power Co., Ltd | Legal representative, executive director and general manager | N |
| | JMC Heavy Duty Vehicle Co., Ltd. | Chairman and general manager | N |

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

Applicable Not Applicable

4. Compensation of Directors, Supervisors and Senior Executives

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

Directors and Supervisors who did not concurrently hold other management positions in JMC were not paid by JMC. Director Qiu Tiangao, Wan Jianrong, Supervisors Xiao Hu and Zhang Jian were paid by JMCG. Directors Anning Chen, Thomas Peter Hilditch and Supervisor Alvin Qing Liu were paid by Ford.

(1) In accordance with JMC Executive Compensation Scheme approved by the Board of Directors, the compensation for the Chinese-side senior management consists of base salary and floating bonus. The base salary level is determined according to the grade of the senior executives, and the floating bonus shall be paid according to the operating performance. 70% of the bonus will be distributed in this year, and the rest 30% will be distributed in the next three years. In 2020, the Company paid annual compensation before tax of approximately RMB 1,650 thousand to First EVP Jin Wenhui, paid approximately RMB 1,600 thousand to EVP Xiong Chunying, paid approximately RMB 1,200 thousand per person to VP Wan Hong, VP Liu Shuying, paid approximately RMB 1,210 thousand to VP Li Xiaojun, paid approximately RMB 1,210 thousand to VP Ding Wenming, paid approximately RMB 1,350 thousand to VP Wu Xiaojun, paid approximately RMB 980 thousand to VP Yu Jianbin, paid approximately RMB 810 thousand to Board Secretary Xu Lanfeng. Two employee-representative supervisors, Mr. Ding Zhaoyang and Mr. Chen Guang, were paid annual compensation before tax of about RMB 580 thousand and RMB 830 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 12.62 million in the reporting period, including the long-term incentive of RMB 650 thousand deferred from the previous years.

(2) JMC pays annual compensation for Ford-seconded senior management personnel to Ford in accordance with the Personnel Secondment Agreement signed between JMC and Ford & Ford Affiliates. In 2020, the Company should pay US \$500 thousand to Ford for Director and President Manto Wong, pay RMB 1,100 thousand for CFO Li Weihua, pay RMB 461.7 thousand for Vice President Jerry Lin, pay RMB 1,100 thousand for Vice President Luo Xiaofang, pay US \$220.3 thousand for Ex Vice President Mike Zhang, and pay US \$500 thousand

for Ex Vice President Milton Wong. These payments made by JMC to Ford do not reflect the actual salaries earned by Ford-seconded senior management.

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

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

Unit: RMB' 000

| Name | Position | Gender | Age | Present (Y/N) | Compensation Before Tax Paid by JMC | Compensation Paid by Related Party (Y/N) |
|-----------------------|-------------------------|--------|-----|---------------|-------------------------------------|--|
| Qiu Tiangao | Chairman | Male | 54 | Y | 0 | Y |
| Anning Chen | Vice Chairman | Male | 59 | Y | 0 | Y |
| Wan Jianrong | Director | Male | 55 | Y | 0 | Y |
| Thomas Peter Hilditch | Director | Male | 43 | Y | 0 | Y |
| Manto Wong | Director & President | Male | 58 | Y | * | Y |
| Jin Wenhui | Director & EVP | Male | 53 | Y | 165 | N |
| Li Xianjun | Independent Director | Male | 53 | Y | 10 | N |
| Chen Jiangfeng | Independent Director | Male | 41 | Y | 5.3 | N |
| Wang Yue | Independent Director | Female | 42 | Y | 5.3 | N |
| Xiao Hu | Chief supervisor | Male | 52 | Y | 0 | Y |
| Alvin Qing Liu | Supervisor | Male | 63 | Y | 0 | Y |
| Zhang Jian | Supervisor | Male | 51 | Y | 0 | Y |
| Ding Zhaoyang | Supervisor | Male | 51 | Y | 58 | N |
| Chen Guang | Supervisor | Male | 47 | Y | 83 | N |
| Xiong Chunying | EVP | Female | 56 | Y | 160 | N |
| Li Weihua | CFO | Female | 43 | Y | * | Y |
| Wan Hong | VP | Male | 59 | Y | 120 | N |
| Li Xiaojun | VP | Male | 45 | Y | 121 | N |
| Ding Wenmin | VP | Male | 48 | Y | 121 | N |
| Liu Shuying | VP | Female | 58 | Y | 120 | N |
| Jerry Lin | VP | Male | 44 | Y | * | Y |
| Wu Xiaojun | VP | Male | 46 | Y | 135 | N |
| Luo Xiaofang | VP | Female | 42 | Y | * | Y |
| Yu Jianbin | VP | Male | 52 | Y | 98 | N |
| Xu Lanfeng | Board Secretary | Female | 52 | Y | 81 | N |
| Lu Song | Ex-Independent Director | Male | 63 | N | 4.7 | N |
| Wang Kun | Ex-Independent Director | Female | 44 | N | 4.7 | N |

| | | | | | | |
|-------------|-------|------|------|----|-------|----|
| Milton Wong | Ex-VP | Male | 46 | N | * | Y |
| Mike Chang | Ex-VP | Male | 54 | N | * | Y |
| Total | -- | -- | ---- | -- | 1,292 | -- |

* Please refer to the relevant statement in the Article 4 Compensation of Directors, Supervisors and Senior Executives of this Chapter.

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

Applicable Not Applicable

5. Employees

(1) Employees, Professional Structure and Educational Level

| | |
|---|---------------------|
| Employees in parent company (persons) | 12,623 |
| Employees in subsidiaries (persons) | 809 |
| Total employees (persons) | 13,432 |
| Total employees paid compensation (persons) | 14,317 |
| Retired employees bore retirement benefits in parent company and its subsidiaries | 885 |
| Professional Structure | |
| Type | Employees (Persons) |
| Production Worker | 8,760 |
| Sales Personnel | 588 |
| Technical Personnel | 3,154 |
| Finance Personnel | 171 |
| Administrative Staff | 759 |
| Total | 13,432 |
| Educational Level | |
| Type | Employees (Persons) |
| Master degree and higher | 925 |
| Bachelor degree | 3,553 |
| Polytechnic school degree | 2,020 |
| Below polytechnic school degree | 6,934 |
| Total | 13,432 |

(2) Compensation Policy

The company shall comply with the disclosure requirements of Shenzhen stock exchange industry information disclosure guidelines No. 12 - listed companies engaged in software and information technology services

Note: a listed company shall disclose the total employee compensation (included in the cost) and its proportion in the total cost of the company during the reporting period, and analyze the sensitivity of the company's profits to the changes in the total employee compensation. At the same time, the proportion of the number of core technical personnel and the proportion of salary in the reporting period, as well as the changes are disclosed.

(3) Training

With To Become Leader in Light Commercial Vehicle and Provider of Ford Value Products as the vision, JMC takes customers as the center and provided capability guarantee for product core competitiveness, with quality, safety and cost as the top priority. The company improved three capability systems including leadership development, professional technical ability development and operator's ability development, so as to cope with the challenges in new energy, intelligent connectivity and smart manufacturing development that the company will encounter in the future. The systems can provide human resource support to the realization of the company's strategy targets.

(4) Labour outsourcing

Applicable Not Applicable

Chapter X Corporate Governance Structure

1. Status of the Corporate Governance in JMC

During the reporting period, the Company strictly abided by the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, the Rules Governing Listing of Stock on Shenzhen Stock Exchange, as well as relevant laws and regulations, to carry out corporate governance activities and continued to improve its corporate governance.

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

Applicable Not Applicable

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

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

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

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

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

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

3. Horizontal Competition

Applicable Not Applicable

4 Introduction to the Shareholders' Meeting

(1) Index to the Shareholders' Meeting in the reporting period

| Meeting | Meeting Type | Investor Participation Ratio | Convening Date | Disclosure Date | Index |
|-----------------------------------|------------------------------|------------------------------|----------------|-----------------|---|
| 2019 Annual Shareholders' Meeting | Annual Shareholders' Meeting | 75.02% | 2020.06.19 | 2020.06.20 | The announcement (No: 2020-024) was published in the website www.cninfo.com.cn . |

(2) Special Shareholders' Meeting convened by preferred shareholders whose voting rights were restored

Applicable Not Applicable

5. Independent Directors' Performance of Duty

(1) Particulars about the directors' attendance to the Board meeting and the Shareholders' Meeting

| Name | Required Board Attendance | Presence in Person | Presence in Form of Paper Meeting | Presence by Proxy | Absence | Not to present in person in two consecutive meetings (Y/N) | Presence at the Shareholders' Meeting |
|----------------|---------------------------|--------------------|-----------------------------------|-------------------|---------|--|---------------------------------------|
| Lu Song | 8 | 1 | 7 | 0 | 0 | N | 0 |
| Wang Kun | 8 | 1 | 7 | 0 | 0 | N | 0 |
| Li Xianjun | 19 | 3 | 15 | 1 | 0 | N | 0 |
| Chen Jiangfeng | 11 | 3 | 8 | 0 | 0 | N | 0 |
| Wang Yue | 11 | 2 | 8 | 1 | 0 | N | 0 |

(2) Dissent from Independent Directors

Yes No

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

(3) Other introduction to Independent Directors' Performance of Duty

Yes No

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

Committee in the reporting period, to protect the interests of the Company and all the shareholders.

6. 2020 Diligence Report of the Committees under the Board of Directors

(1) Work of the Audit Committee

A. Work Summary Report of the Audit Committee

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

- i. The Audit Committee reviewed the Company's internal control work plan and internal control implementation results regularly.
- ii. The Audit Committee reviewed the Assets Impairment Provisions and Write-off proposal and submitted it to the Board for review and approval.
- iii. The Audit Committee reviewed the independent auditor's audit plan, letter of engagement and risks and controls.
- iv. The Audit Committee has coordinated with the independent auditor to allow the audit and associated financial report can be submitted within the appointed period.
- v. The Audit Committee reviewed the financial statements before the certified auditor's on-site audit, after receiving the certified auditor's initial and final audit opinions. The Committee communicated with auditors face to face over important events and major accounting estimations, audit adjustment items and important accounting policies which potentially affect the financial statements, and believes that the financial statements are truthful, accurate and fully reflect the Company's actual status.
- vi. The Audit Committee has submitted the 2020 Independent Auditor Summary Report to the Board for review.
- vii. The Audit Committee reviewed the Internal Control Self-assessment Report and agreed to submit this to the Board for approval.

B. Written Opinions on JMC Financial Statements

The Audit Committee reviewed the unaudited financial statements prepared by the Company and issued its written opinions as follows on January 14, 2021: the Audit Committee reviewed the financial statements compiled by JMC and believes that the financial statements have in all material aspects reflected the actual status of the Company. The Audit Committee would continue to keep in close contact with the external auditor. After receiving the auditor's initial audit comments, the committee would review the financial statements once again.

The Audit Committee reviewed the financial statements prepared by JMC after the external auditor issued its initial audit opinions and issued written opinions as follows on February 20, 2021: the financial statements have been prepared according to China GAAP and the Company's financial policies; and, the financial statements reported gives a true, accurate and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended, in all material respects.

The Audit Committee made resolutions on the audited 2020 financial statements as follows on March 3, 2021: the Audit Committee reviewed the financial statements after the certified public auditor issued its final audit opinion, and the Audit Committee believed that the financial statements reported, including the

Balance Sheet, Income Statement and Cash Flow, give a true, accurate and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended, in all material respects. The Audit Committee concurred to submit for Board approval.

C. 2020 Independent Audit Work Summary Report

The Audit Committee reviewed the 2020 Audit Work Plan submitted by the independent auditing firm PwC Zhong Tian via communications with the PwC Zhong Tian leading auditor. Agreement was achieved regarding timing and content and both parties believe that the plan ensures a comprehensive completion of the 2020 audit tasks.

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

The Audit Committee believed that the external certified auditor had executed the audit work consistently with the requirements of China Certified Auditor Independent Audit Principles. The audit period was adequate and the allocation of personnel resources was sufficient to deliver an audit report which accurately reflects the Company's financial position as at December 31, 2020, and the financial performance and cash flows for the year then ended. The audit conclusion fairly reflects the Company's actual status.

(2) 2020 Diligence Report of the Compensation Committee

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

- i. reviewed and approved the Proposal on 2019 Year-end Bonus for the Company's senior executives;
- ii. reviewed and approved the adjustment of the annual total cash income target of the Company's senior executives in 2020;
- iii. reviewed and approved the 2020 Due Diligence Report of the Compensation Committee;
- iv. Reviewed and approved the KPIs for the Company's senior executives in 2020.

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

The 2020 annual compensation for the Chinese-side senior management was paid upon the principles promulgated in the JMC Executive Compensation Scheme. The 2020 annual compensation for Ford-seconded senior management personnel was paid in accordance with the Personnel Secondment Agreement signed between JMC and Ford & Ford Affiliates. The annual compensation for the

Director and Supervisor that the Company paid abided by JMC salary management system.

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

7. Works of Supervisory Board

Risks found by the Supervisory Board in the reporting period

Yes No

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

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

The Compensation Committee of the Company approved the 2020 year-end bonus plan for the senior executive based on the actual performance of the key performance indicators for the senior executives, which is set out in JMC Executive Compensation Scheme approved by the Board of Directors of the Company, and approved the KPIs for the Company's senior executives in 2021 and to adjust the Year 2021 total income target of the senior executives based on market conditions. These plans are applicable only to the Chinese-side senior management.

9. Internal Control

(1) Major defect of internal control in the reporting period

Yes No

(2) Internal Control Self-assessment Report

| Issuance date | | March 30, 2021 |
|--|---|--|
| Index | | www.cninfo.com.cn |
| Total value of assets of the entities in scope counts as % of that disclosed in the consolidated financial statements | | 100.00% |
| Total value of operating revenue of the entities in scope counts as % of that disclosed in the consolidated financial statements | | 100.00% |
| Deficiency Determination Criteria | | |
| Type | Financial Report | Non-financial Report |
| Qualitative Criteria | Material Weakness: An error that changes the trend of results, changes profit to loss or loss to profit Ineffective anti-fraud process or any fraud involving senior management Ineffective control over accounting policies Ineffective oversight by the Audit Committee Significant Deficiency; Errors in management reporting systems or Corporate accounting records that could lead to incorrect management decisions; Actions inconsistent with Company | Material Weakness: Unscientific decision making process such as incorrect decisions that result in unsuccessful mergers and acquisitions; Major regulatory compliance issues; Frequent media reports harmful to the Company's reputation; A lack of control within key business processes or systematic breakdown of control policies Material weakness identified in the self-assessment without any action plan implemented Significant Deficiency; control deficiency, or combination of |
| | | |

| | | |
|---|---|--|
| | <p>values, policies and other Corporate guidelines that are likely to significantly impact cost, quality, customer satisfaction, reputation, or competitive advantage; Control issues in IT infrastructure or applications that may lead to impairment of Company operations. Any actions indicating fraud or theft that is significant in value Minor Deficiency; Any control deficiencies that do not meet the criteria for material or significant.</p> | <p>control deficiencies, that does not meet the criteria for material weakness but deserves the concerns of the Audit Committee and the Board of Directors. Minor Deficiency Any control deficiencies that do not meet the criteria for material or significant.</p> |
| Quantitative Criteria | <p>Material Weakness Misstatement in the Income Statement is more than 5% of the annual profit before taxation; Misclassification in the Income Statement is more than 0.4% of the annual sales revenue Adjustment of net assets in the Balance Sheet is more than 1% of the shareholders' equity Adjustment of asset or liability in the Balance Sheet is more than 0.6% of the total assets; Adjustment in the Cash Flow Statement is more than 3% of the total net cash flow in the operating activities. Significant Deficiency Misstatement in the Income Statement is more than 2.5% of the annual profit before taxation; Misclassification in the Income Statement is more than 0.2% of the annual sales revenue; Adjustment of net assets in the Balance Sheet is more than 0.5% of the Shareholders' equity; Adjustment of asset or liability in the Balance Sheet is more than 0.3% of the Total assets; Adjustment in the Cash Flow Statement is more than 1.5% of the total net cash flow from the operating activities. Minor Deficiency All the deficiencies that do not meet the quantitative criteria for significant.</p> | <p>Please refer to internal control deficiency over financial reporting for the criteria for non-financial reporting internal control.</p> |
| Number of Material Weakness in financial report | | 0 |
| Number of Material Weakness in non-financial report | | 0 |

| | |
|--|---|
| Number of Significant Deficiency in financial report | 0 |
| Number of Significant Deficiency in non-financial report | 0 |

10. Internal Control Audit Report

Applicable Not Applicable

| Opinions in the Internal Control Audit Report | |
|---|-----------------------------------|
| Internal Control Audit Report Disclosed or not | Disclosed |
| Issuance Date | March 26, 2021 |
| Index | www.cninfo.com.cn |
| Type of Opinion | Standard and unqualified opinions |
| Major Defect Regarding Non-financial Report or no | No |

Abnormal opinion issued by the accounting firm

Yes No

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

Yes No

Chapter XI Corporate Bond

Whether the Company owns the corporate bond that it lists in the securities exchange and is undue or is not paid in full although it's due

No.

Chapter XII Financial Statements

| | |
|------------------------------|---------------------------------------|
| Type of Audit Report | Standard and Unqualified Opinion |
| Signature date | March 26, 2021 |
| Name of Auditor | PricewaterhouseCoopers Zhong Tian LLP |
| Document No. of Audit Report | PwC ZT Shen Zi (2021) No. 10080 |

Auditor's Report

PwC ZT Shen Zi (2021) No. 10080
(Page 1 of 6)

To the shareholders of Jiangling Motors Corporation, Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Jiangling Motors Corporation, Ltd. (hereinafter "Jiangling Motors"), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Jiangling Motors as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

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

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

Key Audit Matters

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

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

- Expenditures on research and development
- Impairment of long-term assets

Key Audit Matters (Cont'd)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|--|--|
| <p>Expenditures on research and development</p> <p>Please refer to Note 2(14)(e) and Note 4(14) to the financial statements.</p> <p>We focussed on this matter due to the incurred amount of research and development expenditures is RMB1,664,559,872, among which the amount of the development costs capitalised is RMB 320,747,780 in 2020 and the fact that there is management's judgement involved in assessing whether the criteria set out in the accounting policies(Note 2(14)(e)), required for capitalisation of such development costs had been met, particularly:</p> <ul style="list-style-type: none"> • Technical feasibility of the project • Likelihood of the generating of sufficient future economic benefits • Timing to start capitalisation <p>We had particular regard to the fact that Jiangling Motors has continued to invest in the technical improvements for its automobile products, and therefore we focussed on the accuracy and completeness of recorded research and development expenditures and whether the economic benefits of the projects under development supported the amounts capitalised.</p> <p>As part of our work we also focussed on management's judgements regarding whether capitalised costs were of a development stage rather than research stage (which would result in the costs being expensed rather than capitalised), and whether costs, including employment costs, were directly attributable to relevant projects.</p> | <p>We understood, evaluated and tested the internal controls related to the expenditures on research and development.</p> <p>We obtained a breakdown, by value, of all individual research and development projects and reconciled this to the amounts of research and development expenses and capitalised research and development projects, which were recorded in the general ledger, identifying no reconciling differences.</p> <p>We tested the projects where research and development expenses were in excess of RMB29,300,000, together with a sample of randomly selected immaterial projects from the remaining population, as follows:</p> <ul style="list-style-type: none"> • We obtained the lists of expenses by nature on selected projects and inspected contracts and underlying invoices which were directly related to those projects. We also checked the reasonableness of the indirect expenses attributable to relevant projects, including employment costs and depreciation expenses, by understanding the allocating method and inspecting the supporting for the assembling and allocating process of those indirect expenses. • We compared the recorded research and development costs of the above projects to their budgeted amounts and discussed the progress of the above projects with the project managers. <p>We found no material issues arising from the above procedures.</p> <p>We obtained the lists of capitalised projects and tested those projects with the capitalised amounts over RMB30,000,000. We obtained explanations from management of why those projects were considered to be capital in nature, in terms of how the specific requirements of CASs No. 6 - Intangible Assets were met. We also conducted interviews with individual project managers responsible for those projects selected to corroborate these explanations, which enabled us to independently assess whether the projects met all the criteria for capitalisation set out in accounting standards. In addition, we reviewed the selected projects' inspection reports at different phases including the reports which indicated that the subject projects entered into developmental stage and related management and board meeting minutes. We found the information we gathered from those documents to be consistent with explanations obtained from individual project managers and to be in line with management's assessment that the costs met the relevant capitalisation criteria. We considered management's judgements on whether those selected projects should be capitalised were appropriate.</p> |

Key Audit Matters (Cont'd)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|--|---|
| <p>Impairment of long-term assets</p> <p>Refer to Note 2(15), Note 2(24)(b)(ii), Note 4(11), Note 4(12) and Note 4(14) to the financial statements.</p> <p>As at 31 December 2020, the net book value (after deducting the provision for impairment) of the fixed assets, construction in progress, intangible assets and development expenditures related to the research and development and manufacturing of heavy trucks held by Jiangling Motors and its subsidiaries is RMB 1,250,817,841; meanwhile, the accumulated and current losses of heavy trucks business are RMB2,032,889,891 and RMB537,798,017 respectively, which is an indicator that the related long-term assets may be impaired.</p> <p>Management evaluated and tested whether the related long-term assets were impaired. Considering the business restructuring plan of heavy trucks in 2020, management calculated the recoverable amount of related long-term assets based on the fair value less costs to sell. The fair value is estimated based on the selling price from the sale agreements of the assets in an arm's length transaction, the market value of similar assets or the best information available.</p> <p>Based the test results, since the book value exceeded the recoverable amount of the related long-term assets, the management has made impairment provision for the related long-term assets of RMB399,788,155 in 2020.</p> <p>We focussed on this matter because the impairment provision for the related long-term assets is significant and involved management's judgment on critical estimates and assumptions, such as the feasibility of the business restructuring plan of heavy trucks, and the best estimation of the fair value.</p> | <p>We understood, evaluated and tested the internal controls related to the long-term assets impairment.</p> <p>We conducted on-site inspections of the related long-term assets, also discussed with management about the reasons for the business restructuring plan of heavy trucks and the further plans. We assessed the feasibility of the relevant plans, and also the appropriateness and reasonableness of the method used to calculate the recoverable amount.</p> <p>We discussed the method used to determine the recoverable amount with the management and assessed the rationality of critical estimates and assumptions used by management when calculating the net amount of fair value less costs to sell for the related assets. We checked the assets transaction contracts in an arm's length and other best information available, assessed the reasonableness of key estimates and assumptions used in calculating the recoverable amount of the long-term assets and checked the accuracy of calculations.</p> <p>We checked the meeting minutes related to business restructuring plan of heavy trucks, as well as meeting minutes for the impairment assessment and the provision of the long-term assets, including minutes of board meetings, to further corroborate the reasonableness of the long-term assets impairment provision.</p> <p>We evaluated the competence, expertise and objectivity of the external experts engaged by the management involved in evaluating the fair value of the related assets. We reviewed the work results of the external experts.</p> <p>We discussed with internal valuation experts, assessing the overall appropriateness of method used in estimating the recoverable amount of long-term assets and reasonableness of critical assumptions applied by the management.</p> |

Key Audit Matters (Cont'd)

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|---|---|
| Impairment of long-term assets (Cont'd) | Based on the procedures we performed, management's judgements and assessments relating to the impairment of long-term assets are supported by the evidence we gathered. |

Other Information

Management of Jiangling Motors is responsible for the other information. The other information comprises all of the information included in 2020 annual report of Jiangling Motors other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

The Audit Committee is responsible for overseeing Jiangling Motors's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Jiangling Motors's ability of to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Jiangling Motors to cease to continue as a going concern.
- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Jiangling Motors to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor’s Responsibilities for the Audit of the Financial Statements (Cont’d)

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

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

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

| | | |
|---|-------------|--|
| PricewaterhouseCoopers Zhong Tian LLP | Signing CPA | _____ Lei Fang (Engagement Partner) |
| Shanghai, the People’s Republic of China 26 March 2021 | Signing CPA | _____ Ye Dan |

JIANGLING MOTORS CORPORATION, LTD.

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

31 DECEMBER 2020

JIANGLING MOTORS CORPORATION, LTD.
CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2020
 (All amounts in RMB Yuan unless otherwise stated)

| Assets | Notes | 31 December 2020 Consolidated | 31 December 2019 Consolidated | 31 December 2020 Company | 31 December 2019 Company |
|-----------------------------------|-----------------|-------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Current assets | | | | | |
| Cash and cash equivalents | 4(1) | 11,121,955,129 | 8,937,936,658 | 8,473,562,045 | 8,677,928,946 |
| Financial assets held for trading | 4(2) | 803,892,985 | - | 502,797,917 | - |
| Notes receivable | 4(3) | - | 85,816,311 | - | 20,792,000 |
| Accounts receivable | 4(4)、14(1) | 2,999,883,212 | 2,208,236,620 | 3,330,880,651 | 865,928,297 |
| Financing receivables | 4(5) | 815,583,669 | 289,044,373 | 29,412,448 | 52,811,157 |
| Advances to suppliers | 4(6) | 452,714,683 | 517,122,502 | 451,832,917 | 504,562,617 |
| Other receivables | 4(7)、14(2) | 128,989,573 | 115,983,137 | 1,359,907,223 | 3,118,317,705 |
| Inventories | 4(8) | 2,086,605,692 | 1,946,869,092 | 2,020,079,494 | 1,471,931,881 |
| Other current assets | 4(9) | 737,369,737 | 973,426,066 | 678,079,950 | 821,783,113 |
| Total current assets | | 19,146,994,680 | 15,074,434,759 | 16,846,552,645 | 15,534,055,716 |
| Non-current assets | | | | | |
| Long-term equity investments | 4(10)、 14(3) | 39,496,548 | 40,934,557 | 1,561,496,548 | 380,934,557 |
| Fixed assets | 4(11) | 5,165,956,410 | 5,714,489,577 | 4,331,796,677 | 4,462,909,152 |
| Construction in progress | 4(12) | 1,535,497,770 | 1,498,124,778 | 1,429,348,858 | 1,244,963,653 |
| Right-of-use assets | 4(13) | 28,405,890 | 36,039,891 | 28,405,890 | 33,138,423 |
| Intangible assets | 4(14) | 931,391,553 | 948,755,845 | 637,918,837 | 513,529,416 |
| Development expenditures | 4(14) | 173,473,242 | 125,142,080 | 173,473,242 | 100,271,663 |
| Deferred tax assets | 4(15) | 1,163,969,325 | 860,607,106 | 370,120,915 | 182,248,610 |
| Total non-current assets | | 9,038,190,738 | 9,224,093,834 | 8,532,560,967 | 6,917,995,474 |
| TOTAL ASSETS | | 28,185,185,418 | 24,298,528,593 | 25,379,113,612 | 22,452,051,190 |

JIANGLING MOTORS CORPORATION, LTD.
CONSOLIDATED AND COMPANY BALANCE SHEETS (CONT'D) AS AT 31 DECEMBER 2020
(All amounts in RMB unless otherwise stated)

| LIABILITIES AND EQUITY | Notes | 31 December 2020 Consolidated | 31 December 2019 Consolidated | 31 December 2020 Company | 31 December 2019 Company |
|---|-------|----------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Current liabilities | | | | | |
| Short-term borrowings | 4(17) | 500,000,000 | - | 500,000,000 | - |
| Derivative financial liabilities | 4(18) | 3,716,727 | 545,632 | 3,716,727 | 545,632 |
| Notes payable | 4(19) | - | 31,400,000 | - | - |
| Accounts payable | 4(20) | 10,026,215,877 | 8,116,169,589 | 10,022,399,964 | 7,908,815,398 |
| Contract liabilities | 4(21) | 558,526,846 | 268,170,154 | 42,397,868 | 77,585,490 |
| Employee benefits payable | 4(22) | 759,368,606 | 385,547,290 | 687,984,808 | 312,170,895 |
| Taxes payable | 4(23) | 218,445,227 | 198,777,104 | 95,599,544 | 119,431,418 |
| Other payables | 4(24) | 4,153,849,625 | 4,145,266,838 | 1,495,307,482 | 2,227,351,456 |
| Current portion of non-current liabilities | 4(25) | 10,909,163 | 13,843,406 | 10,909,163 | 11,500,358 |
| Other current liabilities | 4(26) | 410,899,328 | 264,558,923 | 39,220,370 | 13,333,551 |
| Total current liabilities | | 16,641,931,399 | 13,424,278,936 | 12,897,535,926 | 10,670,734,198 |
| Non-current liabilities | | | | | |
| Long-term borrowings | 4(27) | 2,563,666 | 3,197,814 | 2,563,666 | 3,197,814 |
| Lease liabilities | 4(28) | 18,998,952 | 22,592,252 | 18,998,952 | 22,592,252 |
| Provisions | 4(29) | 195,896,139 | 166,687,460 | - | - |
| Deferred income | 4(30) | 49,944,625 | 34,389,578 | 49,944,625 | 34,389,578 |
| Long-term employee benefits payable | 4(31) | 62,855,000 | 63,685,000 | 62,561,000 | 63,385,000 |
| Deferred tax liabilities | 4(15) | 126,995,164 | 25,339,981 | 102,300,000 | - |
| Other non-current liabilities | 4(32) | 99,526,464 | 61,793,791 | 90,866,994 | 50,930,075 |
| Total non-current liabilities | | 556,780,010 | 377,685,876 | 327,235,237 | 174,494,719 |
| Total liabilities | | 17,198,711,409 | 13,801,964,812 | 13,224,771,163 | 10,845,228,917 |
| Equity | | | | | |
| Share capital | 4(33) | 863,214,000 | 863,214,000 | 863,214,000 | 863,214,000 |
| Capital surplus | 4(34) | 839,442,490 | 839,442,490 | 839,442,490 | 839,442,490 |
| Other comprehensive income | 4(35) | (11,759,250) | (11,395,500) | (12,021,750) | (11,616,750) |
| Surplus reserve | 4(36) | 431,607,000 | 431,607,000 | 431,607,000 | 431,607,000 |
| Retained earnings | 4(37) | 8,863,969,769 | 8,373,695,791 | 10,032,100,709 | 9,484,175,533 |
| Total equity attributable to shareholders of the Company | | 10,986,474,009 | 10,496,563,781 | 12,154,342,449 | 11,606,822,273 |
| Minority interests | | - | - | - | - |
| Total equity | | 10,986,474,009 | 10,496,563,781 | 12,154,342,449 | 11,606,822,273 |
| TOTAL LIABILITIES AND EQUITY | | 28,185,185,418 | 24,298,528,593 | 25,379,113,612 | 22,452,051,190 |

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.
CONSOLIDATED AND COMPANY INCOME STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)

| Item | Notes | 2020 Consolidated | 2019 Consolidated | 2020 Company | 2019 Company |
|---|-----------------------|----------------------|----------------------|------------------|------------------|
| Revenue | 4(38)、14(4) | 33,095,733,665 | 29,173,636,262 | 30,728,247,865 | 27,013,530,410 |
| Less: Cost of sales | 4(38)、 4(44)、14(4) | (27,518,509,913) | (24,530,857,150) | (26,277,296,318) | (23,558,653,135) |
| Taxes and surcharges | 4(39) | (837,877,008) | (744,695,131) | (808,544,571) | (715,214,044) |
| Selling and distribution expenses | 4(40)、4(44) | (1,544,737,028) | (1,525,883,194) | (226,152,644) | (220,785,082) |
| General and administrative expenses | 4(41)、4(44) | (1,012,347,173) | (955,566,805) | (806,195,496) | (776,697,100) |
| Research and development expenses | 4(42)、4(44) | (1,343,812,092) | (1,776,320,646) | (1,341,100,949) | (1,610,563,277) |
| Financial expenses | 4(43) | 197,567,513 | 189,506,963 | 179,281,512 | 241,659,728 |
| Including: Interest expenses | | (19,283,170) | (2,903,955) | (19,232,913) | (2,727,224) |
| Interest income | | 215,262,461 | 203,950,159 | 196,071,590 | 250,902,581 |
| Add: Other income | 4(47) | 268,222,289 | 246,880,334 | 246,472,249 | 18,046,849 |
| Investment income | 4(48)、14(5) | 70,178,856 | 39,121,245 | 70,427,986 | 38,814,164 |
| Including: Share of profit of associates and joint ventures | 4(48) | (1,438,009) | 822,880 | (1,438,009) | 822,880 |
| Gains on changes in fair value | 4(49) | 721,890 | (1,524,631) | (373,178) | (1,524,631) |
| Credit impairment losses | 4(46) | (79,766,249) | (131,701,073) | (56,761,565) | (111,193,097) |
| Asset impairment losses | 4(45) | (681,884,784) | (92,395,494) | (1,158,304,106) | (86,284,181) |
| Gains on disposal of assets | 4(50) | (713,072) | (794,016) | (548,969) | (1,959,962) |
| Operating profit | | 612,776,894 | (110,593,336) | 549,151,816 | 229,176,642 |
| Add: Non-operating income | 4(51) | 11,634,917 | 222,840,220 | 4,303,815 | 222,016,703 |
| Less: Non-operating expenses | 4(52) | (172,753,545) | (7,261,457) | (30,611,761) | (6,723,923) |
| Total profit | | 451,658,266 | 104,985,427 | 522,843,870 | 444,469,422 |
| Less: Income tax expenses | 4(53) | 99,040,692 | 42,826,651 | 85,506,286 | 33,775,220 |
| Net profit | | 550,698,958 | 147,812,078 | 608,350,156 | 478,244,642 |
| Classified by continuity of operations | | | | | |
| Net profit from continuing operations | | 550,698,958 | 147,812,078 | 608,350,156 | 478,244,642 |
| Net profit from discontinued operations | | - | - | - | - |
| Classified by ownership of the equity | | | | | |
| Minority interests | | - | - | - | - |
| Attributable to shareholders of the Company | | 550,698,958 | 147,812,078 | 608,350,156 | 478,244,642 |
| Other comprehensive income, net of tax | | | | | |
| Attributable to shareholders of the Company | | | | | |
| Other comprehensive income items which will not be reclassified to profit or loss | | | | | |
| Changes arising from remeasurement of defined benefit plan | 4(35) | (363,750) | (1,217,250) | (405,000) | (1,221,000) |
| Attributable to minority interests | | - | - | - | - |
| Total comprehensive income | | 550,335,208 | 146,594,828 | 607,945,156 | 477,023,642 |
| Attributable to shareholders of the Company | | 550,335,208 | 146,594,828 | 607,945,156 | 477,023,642 |
| Attributable to minority interests | | - | - | - | - |
| Earnings per share | | | | | |
| Basic earnings per share(RMB Yuan) | 4(54) | 0.64 | 0.17 | — | — |
| Diluted earnings per share(RMB Yuan) | 4(54) | 0.64 | 0.17 | — | — |

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.
CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2020
(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2020 Consolidated | 2019 Consolidated | 2020 Company | 2019 Company |
|---|-------|----------------------|----------------------|------------------|------------------|
| Cash flows from operating activities | | | | | |
| Cash received from sales of goods or rendering of services | | 35,125,114,857 | 32,179,519,920 | 30,135,915,527 | 30,880,510,326 |
| Cash received relating to other operating activities | 4(55) | 445,795,274 | 619,276,237 | 348,244,836 | 394,363,387 |
| Sub-total of cash inflows | | 35,570,910,131 | 32,798,796,157 | 30,484,160,363 | 31,274,873,713 |
| Cash paid for goods and services | | (25,087,676,080) | (22,813,410,129) | (24,034,906,418) | (21,870,900,962) |
| Cash paid to and on behalf of employees | | (2,140,291,935) | (2,264,838,454) | (1,934,667,949) | (2,035,728,708) |
| Payments of taxes and surcharges | | (1,797,705,380) | (1,892,898,668) | (1,561,759,004) | (1,631,618,074) |
| Cash paid relating to other operating activities | 4(55) | (2,846,893,908) | (3,090,781,668) | (1,708,207,234) | (1,942,112,583) |
| Sub-total of cash outflows | | (31,872,567,303) | (30,061,928,919) | (29,239,540,605) | (27,480,360,327) |
| Net cash flows from operating activities | 4(56) | 3,698,342,828 | 2,736,867,238 | 1,244,619,758 | 3,794,513,386 |
| Cash flows from investing activities | | | | | |
| Cash received from disposal of investments | | 15,307,000,000 | 9,200,000,000 | 17,624,568,383 | 11,585,692,920 |
| Cash received from returns on investments | | 77,849,662 | 47,385,707 | 75,400,552 | 47,385,707 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 32,672,679 | 3,887,882 | 30,206,852 | 3,630,174 |
| Cash received relating to other investing activities | 4(55) | 191,356,815 | 213,415,565 | 249,783,971 | 255,463,058 |
| Sub-total of cash inflows | | 15,608,879,156 | 9,464,689,154 | 17,979,959,758 | 11,892,171,859 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (1,410,515,107) | (1,616,840,711) | (1,357,972,695) | (1,312,416,494) |
| Cash paid to acquire investments | | (16,107,000,000) | (9,200,000,000) | (18,467,738,455) | (11,881,000,000) |
| Cash paid relating to other investing activities | | (4,802,479) | (12,942,366) | (4,802,479) | (12,942,366) |
| Sub-total of cash outflows | | (17,522,317,586) | (10,829,783,077) | (19,830,513,629) | (13,206,358,860) |
| Net cash flows from investing activities | | (1,913,438,430) | (1,365,093,923) | (1,850,553,871) | (1,314,187,001) |
| Cash flows from financing activities | | | | | |
| Cash received from borrowings | | 2,291,211,222 | 200,000,000 | 2,291,211,222 | 200,000,000 |
| Sub-total of cash inflows | | 2,291,211,222 | 200,000,000 | 2,291,211,222 | 200,000,000 |
| Cash repayments of borrowings | | (1,800,450,682) | (200,453,605) | (1,800,450,682) | (200,453,605) |
| Cash payments for distribution of dividends, profits or interest expenses | | (78,895,390) | (35,456,143) | (78,895,390) | (35,456,143) |
| Cash paid relating to other financing activities | 4(55) | (12,751,077) | (14,806,885) | (10,297,938) | (11,170,267) |
| Sub-total of cash outflows | | (1,892,097,149) | (250,716,633) | (1,889,644,010) | (247,080,015) |
| Net cash flows from financing activities | | 399,114,073 | (50,716,633) | 401,567,212 | (47,080,015) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | - | - | - | - |
| Net increase/(decrease) in cash and cash equivalents | 4(56) | 2,184,018,471 | 1,321,056,682 | (204,366,901) | 2,433,246,370 |
| Add: Cash and cash equivalents at beginning of year | 4(56) | 8,937,936,658 | 7,616,879,976 | 8,677,928,946 | 6,244,682,576 |
| Cash and cash equivalents at end of year | 4(56) | 11,121,955,129 | 8,937,936,658 | 8,473,562,045 | 8,677,928,946 |

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
 (All amounts in RMB Yuan unless otherwise stated)

| Item | Notes | Attributable to equity owners of the Company | | | | | Minority interests | Total equity |
|--|-------|--|-----------------|----------------------------|------------------|-------------------|--------------------|----------------|
| | | Share capital | Capital surplus | Other comprehensive income | Surplus reserves | Retained earnings | | |
| Balance at 1 January 2019 | | 863,214,000 | 839,442,490 | (10,178,250) | 431,607,000 | 8,260,412,273 | - | 10,384,497,513 |
| Movements for the year ended 31 December 2019 | | - | - | (1,217,250) | - | 113,283,518 | - | 112,066,268 |
| Total comprehensive income | | | | | | | | |
| Net profit | - | - | - | - | - | 147,812,078 | - | 147,812,078 |
| Other comprehensive income | | - | - | (1,217,250) | - | - | - | (1,217,250) |
| Total comprehensive income for the year | | - | - | (1,217,250) | - | 147,812,078 | - | 146,594,828 |
| Profit distribution | | | | | | | | |
| Distribution to shareholders | 4(37) | - | - | - | - | (34,528,560) | - | (34,528,560) |
| Balance at 31 December 2019 | | 863,214,000 | 839,442,490 | (11,395,500) | 431,607,000 | 8,373,695,791 | - | 10,496,563,781 |
| Balance at 1 January 2020 | | 863,214,000 | 839,442,490 | (11,395,500) | 431,607,000 | 8,373,695,791 | - | 10,496,563,781 |
| Movements for the year ended 31 December 2020 | | - | - | (363,750) | - | 490,273,978 | - | 489,910,228 |
| Total comprehensive income | | | | | | | | |
| Net profit | - | - | - | - | - | 550,698,958 | - | 550,698,958 |
| Other comprehensive income | | - | - | (363,750) | - | - | - | (363,750) |
| Total comprehensive income for the year | | - | - | (363,750) | - | 550,698,958 | - | 550,335,208 |
| Profit distribution | | | | | | | | |
| Distribution to shareholders | 4(37) | - | - | - | - | (60,424,980) | - | (60,424,980) |
| Balance at 31 December 2020 | | 863,214,000 | 839,442,490 | (11,759,250) | 431,607,000 | 8,863,969,769 | - | 10,986,474,009 |

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.
COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB unless otherwise stated)

| Item | Note | Share capital | Capital surplus | Other comprehensive income | Surplus reserves | Retained earnings | Total equity |
|--|-------|---------------|-----------------|----------------------------|------------------|-------------------|----------------|
| Balance at 1 January 2019 | | 863,214,000 | 839,442,490 | (10,395,750) | 431,607,000 | 9,040,459,451 | 11,164,327,191 |
| Movements for the year ended 31 December 2019 | | - | - | (1,221,000) | - | 443,716,082 | 442,495,082 |
| Total comprehensive income | | | | | | | |
| Net profit | | - | - | - | - | 478,244,642 | 478,244,642 |
| Other comprehensive income | | - | - | (1,221,000) | - | - | (1,221,000) |
| Total comprehensive income for the year | | - | - | (1,221,000) | - | 478,244,642 | 477,023,642 |
| Profit distribution | | | | | | | |
| Distribution to shareholders | 4(37) | - | - | - | - | (34,528,560) | (34,528,560) |
| Balance at 31 December 2019 | | 863,214,000 | 839,442,490 | (11,616,750) | 431,607,000 | 9,484,175,533 | 11,606,822,273 |
| Balance at 1 January 2020 | | 863,214,000 | 839,442,490 | (11,616,750) | 431,607,000 | 9,484,175,533 | 11,606,822,273 |
| Movements for the year ended 31 December 2020 | | - | - | (405,000) | - | 547,925,176 | 547,520,176 |
| Total comprehensive income | | | | | | | |
| Net profit | | - | - | - | - | 608,350,156 | 608,350,156 |
| Other comprehensive income | | - | - | (405,000) | - | - | (405,000) |
| Total comprehensive income for the year | | - | - | (405,000) | - | 608,350,156 | 607,945,156 |
| Profit distribution | | | | | | | |
| Distribution to shareholders | 4(37) | - | - | - | - | (60,424,980) | (60,424,980) |
| Balance at 31 December 2020 | | 863,214,000 | 839,442,490 | (12,021,750) | 431,607,000 | 10,032,100,709 | 12,154,342,449 |

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR EDNED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 General information

Jiangling Motors Corporation, Ltd. (hereinafter “the Company”) is a Sino-foreign joint stock enterprise established under the approval of Hongban (1992) No. 005 of Nanchang Revolution and Authorisation Group of Company’s Joint Stock on the basis of Jiangxi Motors Manufacturing Factory on 16 June 1992. The registration number of the enterprise business license is No. 913600006124469438. The registered address of the Company and the address of its headquarters are both Nanchang City, Jiangxi Province of the People’s Republic of China (“the PRC”).

On 23 July 1993, with the approval of the China Securities Regulatory Commission (hereinafter “CSRC”) (Zheng Jian Fa Shen Zi [1993] No. 22) and (Zheng Jian Han Zi [1993] No. 86), the Company was listed on the Stock Exchange of Shenzhen on 1 December 1993, issuing 494,000,000 shares in total. On 8 April 1994, a total of 25,214,000 shares were distributed for the 1993 dividend distribution programme with the approval of the shareholders’ meeting and Jiangxi Securities Management Leading Group (Gan Securities [1994] No. 02). In 1995, with the approval of CSRC (Zheng Jian Fa Zi [1995] No. 144) and the Shenzhen Securities Management Office (Shenzhen Office Fu [1995] No. 92), the Company issued 174,000,000 ordinary shares (“B shares”). In 1998, with the approval of CSRC (Zheng Jian Fa Zi [1998] No. 19), the Company issued additional 170,000,000 B shares.

According to the resolution of the shareholders’ meeting regarding the split share structure reform on 11 January 2006, the Company implemented the *Scheme on Split Share Structure Reform* on 13 February 2006. After the implementation, the Company’s total paid-in capital remains the same. Related details are disclosed in Note 4(33).

As at 31 December 2020, the Company’s paid-in capital totalled RMB863,214,000, with par value of RMB1 per share.

The business scope of the Company and its subsidiaries (hereinafter “the Group”) includes production and sales of automobile assemblies such as automobiles, special (modified) vehicles, engines and chassis and other automobile parts, and provision of related after-sales services; retail and wholesale of imported E series automobiles of Ford Motor (China) Co., Ltd. (“FORD”) as the dealer; import and export of automobiles and parts; dealership of used cars; provision enterprise management and consulting services related to production and sales of automobiles.

Subsidiaries included in the consolidation scope for the current year are detailed in Note 5.

These financial statements were authorised for issue by the Company’s Board of Directors on 26 March 2021.

2 Summary of significant accounting policies and accounting estimates

The Group determines specific accounting policies and estimates based on the features of its production and operation, which mainly comprise the measurement of expected credit losses (“ECL”) on receivables (Note 2(8)), valuation of inventories (Note 2(9)), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note 2(11), (14), (22)), criteria for capitalisation of development expenditures (Note 2(14)), recognition and measurement of revenue (Note 2(19)), etc.

Key judgements and critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 2(24).

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNE 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, specific accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CASs”) and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting* issued by CSRC.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company’s financial position of the Company as at 31 December 2020 and their financial performance, cash flows and other information for the year then ended.

(3) Fiscal year

The Company’s fiscal year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency is Renminbi (“RMB”). The financial statements are presented in RMB.

(5) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations not involving enterprises under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR EDNEED 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive income for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive income attributed to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. If the subsidiaries' loss for the current period attributed to the minority shareholders exceeds their share in the opening shareholder's equity, the excess will be deducted against the minority interests. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivable, accounts receivable and other receivables, etc.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly include financing receivables, etc.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss. At initial recognition, the Group does not designate a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets that are due in more than one year as from the balance sheet date and are expected to be held for over one year are included in other non-current financial assets, and the others are included in financial assets held for trading.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment

Loss provision for financial assets at amortised cost and investments in debt instruments at fair value through other comprehensive income is recognised on the basis of ECL.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the ECL of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with low credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with low credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

For notes receivable, accounts receivable and financing receivables arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the lifetime ECL provision regardless of whether there is a significant financing component.

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR EDNE 31 DECEMBER 2020

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

In case the ECL of an individually assessed financial asset can be evaluated with reasonable cost, the Group determines the ECL based on impairment assessment of an individual financial asset. In case the ECL of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the ECL for the groupings. Basis for determining groupings and related provision method are as follows:

| | |
|--|---|
| Grouping - Bank acceptance notes | State-owned banks and joint stock banks |
| Grouping - Sales of general automobiles | Customers of general automobiles |
| Grouping - Sales of new energy automobiles | Customers of new energy automobiles |
| Grouping - Sales of other automobiles | Customers of other automobiles |
| Grouping - Sales of automobile parts | Customers of automobile parts |
| Grouping - Interest from cash at bank | Accrued interest on cash at bank |
| Grouping - Operating advances and guarantees | Operating advances and guarantees |

For accounts receivable that are classified into groupings and notes receivable and financing receivables arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group calculates the ECL with reference to historical credit losses experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rate. For other notes receivable, financing receivables and other receivables classified into groupings, the Group calculates the ECL with reference to the historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rate.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNEED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition

A financial asset is derecognised when: (i) the contractual rights to the cash flows from the financial asset expire, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(9) Inventories

(a) Classification

Inventories include raw materials, work in progress products, finished goods, materials in transit, low value consumables, materials consigned for processing, etc., and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method for making provision for inventories

Provision for inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are amortised into expenses in full when issued for use.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNED 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries and the Group's long-term equity investments in its associates.

Subsidiaries are the investees over which the Company is able to exercise control. Associates are the investees that the Group has a significant influence on their financial and operating decisions.

Investments in subsidiaries are presented using the cost method in the Company's financial statements, and adjusted to the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination not involving enterprises under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination, such as long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by an investee is recognised as investment income into profit or loss for the current period.

Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR EDNE 31 DECEMBER 2020**

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of profit or loss (Cont'd)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or losses according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investments together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Significant influence is the power to participate in making decisions on financial and operating policies of investees, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates is reduced to the recoverable amounts when the recoverable amounts are below their carrying amount (Note 2(15)).

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, moulds, and electronic and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the state-owned shareholders upon the restructuring of the Company are recorded at the valued amount determined by the state-owned asset administration department.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

(a) Recognition and initial measurement of fixed assets (Cont'd)

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

| | Estimated useful lives | Estimated net residual values | Annual depreciation rates |
|--------------------------------|------------------------|-------------------------------|---------------------------|
| Buildings | 35 to 40 years | 4% | 2.4% to 2.7% |
| Machinery and equipment | 10 to 15 years | 4% | 6.4% to 9.6% |
| Motor vehicles | 5 to 10 years | 4% | 9.6% to 19.2% |
| Moulds | 5 years | - | 20% |
| Electronic and other equipment | 5 to 7 years | 4% | 13.7% to 19.2% |

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(15)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the next month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(15)).

(13) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

The capitalised amount of specific borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalised amount of general borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(14) Intangible assets

Intangible assets include land use rights, software use fees, non-patent technologies and after-sales service management mode, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(b) Software use fees

Software use fees are amortised on a straight-line basis over the estimated useful life of 5 years.

(c) Non-patent technologies

Non-patent technologies are amortised on the straight-line basis over the useful life of 5 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made appropriately.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase related to planned survey, evaluation and selection for research on manufacturing technique of automobile products is recognised in profit or loss in the period in which it is incurred. Prior to mass production, expenditure on the development phase related to the design and testing phase in regards to the final application of manufacturing technique of automobile products is capitalised only if all of the following conditions are satisfied:

- the development of manufacturing technique of automobile products has been fully demonstrated by technical team;
- management intends to complete the development of manufacturing technique of automobile products, and use or sell it;
- the research and analysis of preliminary market survey indicate that products manufactured with manufacturing technique of automobile products are marketable;
- adequate technical and financial supports are available for development of manufacturing techniques of automobile products and subsequent mass production; and,
- expenditure on development of manufacturing techniques of automobile products can be reliably collected.

Other expenditures on the development phase that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development expenditures previously recognised as profit or loss are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(15)).

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least once a year, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an asset impairment loss are 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 disposal costs and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least once a year for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(16) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Employee benefits (Cont'd)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, premiums or contributions on basic pensions and unemployment insurance paid for employees belong to defined contribution plans; supplementary retirement benefits for employees are defined benefit plans.

(i) Defined contribution plans

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of the Ministry of Human Resources and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(ii) Defined benefit plans

The Group also provides employees with supplementary retirement benefits in addition to the insurance system prescribed by the State. Such supplementary retirement benefits belong to defined benefit plans. The defined benefit liabilities recognised on the balance sheet represent the present value of defined benefit obligations less the fair value of the plan assets. The defined benefit obligations are calculated annually by an independent actuary using projected unit credit method at the interest rate of national debt with similar obligation term and currency. Service costs related to supplementary retirement benefits (including current service costs, historical service costs and settled gains or losses) and net interest are recognised in profit or loss for the current period or the cost of related assets, and changes arising from remeasurement of net liabilities or net assets of defined benefit plans are recognised in other comprehensive income.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Employee benefits (Cont'd)

(c) Termination benefits (Cont'd)

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be paid within one year since the balance sheet date are classified as employee benefits payable.

(17) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved at the shareholders' meeting.

(18) Provisions

Provisions for product warranties, compensation to suppliers, etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors on a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Revenue

The Group manufactures automobiles and automobile parts and sells them to distributors and end customers. In addition, the Group also provides customers with auto maintenance and additional quality warranty services. The Group recognises revenue at the amount of the consideration that is entitled to be charged by the Group as expected when the customer obtains control over relevant goods or services.

(a) Selling automobiles and automobile parts to distributors and end customers

The Group manufactures automobiles and automobile parts and sells such products to distributors and end customers. The Group recognises revenue from sales of automobiles after they are delivered as prescribed in the contract, customers have accepted the products and the delivery documents have been signed by both parties. The Group recognises revenue from sales of parts after they are delivered to the designated location as prescribed in the contract, customers have accepted the products and the delivery documents have been signed by both parties.

Where two or more obligations are included in a contract between the Group and the customers, at the beginning date of the contract, the Group allocates the transaction price to individual obligation in the relative proportion to the individual selling prices of products or services committed in each individual obligation. When the individual selling price is unobservable, the Group makes reasonable estimates on the individual selling price with comprehensive consideration to all available information, and by using market adjustment method, cost plus method, etc.

The credit periods granted by the Group to distributors and end customers are generally within one year and no more than two years, which is consistent with the industry practice, and there is no significant financing component. The Group provides product warranties for automobiles and automobile parts as required by laws and regulations, and recognises the corresponding provisions (Note 2(18)).

The Group provides distributors and end customers with sales discounts based on sales volume, and related revenue is recognised at contract consideration net of the discount amount estimated based on historical experience and using the expected value method.

(b) Rendering of services

The Group provides customers with car maintenance and additional quality assurance services, and recognizes revenue within a period of time based on the progress of the performance of the services provided. According to the nature of the service provided, the performance progress is determined in accordance with the value of the labour provided to the customer to the customer or the cost of the provided labour to the total labour cost.

When the Group recognises revenue based on the stage of completion, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECL (Note 2(8)). If the contract price received or receivable exceeds the amount for the completed service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including support funds for enterprise development, financial subsidies, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets. Government grants related to income that compensate future costs, expenses or losses are recorded as deferred income and recognised in profit or loss; government grants related to income that compensate incurred costs, expenses or losses are recognised in profit or loss directly for the current period.

The Group adopts the same presentation method for similar government grants.

Government grants related to ordinary activities are included in operating profit. Otherwise, they are recorded in non-operating income.

Financial discounts directly received by the Group are deducted against related borrowing costs.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of reversal of such temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. When it is probable that the deductible temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the deductible temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liabilities at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

The Group's right-of-use assets represent leased buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initially direct costs, less any lease incentives received. If it is reasonably probable that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amounts of the right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(15)).

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, recognise the lease payments in the cost of the underlying assets or in profit or loss for the current period on a straight-line basis over the lease term.

The Group shall account for a lease modification as a separate lease if both: (1) the modification extends the scope of the lease by adding the right to use one or more underlying assets; (2) the increased consideration is equivalent to the amount of the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except for the simplified method for contract changes directly caused by COVID-19. For a lease modification which narrows the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other changes which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the rental waivers due to COVID-19 and for the period ended before 30 June 2021 only, the Group applies the simplified method, records the undiscounted waivers in profit or loss and adjusts lease liability when the agreement is reached to dismiss the original payment obligation.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Leases (Cont'd)

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

As a lessor, the Group has no financing liabilities. When the Group leases free buildings, the rental income from operating leases is recognized on a straight-line basis during the lease term.

(23) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements on applying the accounting policies

(i) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial assets management on the group basis, and factors to be considered include the methods for evaluating the financial assets performance and reporting such performance to key management personnel, the risks relating to the financial assets performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only includes time value of money, credit risk, other basic lending risks and considerations for costs and profits. For example, whether the repayment in advance only reflects the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Judgement on significant increase in credit risk

Judgement made by the Group for significant increase in credit risk is mainly based on whether the overdue days exceed 30 days, or whether one or more of the following indicators change significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement made by the Group for the occurrence of credit impairment is mainly based on whether the overdue days exceed 90 days (i.e., a default has occurred), or whether one or more of the following conditions is/are satisfied: the debtor is suffering significant financial difficulties, the debtor is undergoing other debt restructuring, or the debtor probably goes bankrupt, etc.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Critical accounting estimates and judgements (Cont'd)

(a) Critical judgements in applying the accounting policies (Cont'd)

(iii) Judgement on capitalisation of development expenditures

Development expenditures are capitalised when the criteria in Note 2(14)(e) are fulfilled. The assessments on whether the criteria for capitalisation of development expenditures have been met involve judgements of the Group, including the technical feasibility of the project, the likelihood of the project generating sufficient future economic benefits and the timing to start capitalisation particularly. The Group makes the judgements on the capitalisation of development expenditures and records the process in meeting minutes based on feasibility analysis, regular review on the development project phase, etc.

(iv) Timing of revenue recognition

The Group sells automobiles and automobile parts to distributors or end customers. The Group recognises revenue from sales of automobiles after they are delivered as prescribed in the contract, distributors or end customers have accepted the products and the delivery documents have been signed by both parties. The Group recognises revenue from sales of parts after they are delivered to the designated location as prescribed in the contract, distributors or end customers have accepted the products and the delivery documents are signed by both parties. Thereafter, the distributors or end customers own the products, have the right to set prices independently, and bear the risks from price fluctuation or damage of the products. The distributors or end customers have obtained the control of the products after accepting the products. Therefore, the Group recognises the sales revenue of the products at the time when the delivery documents have been signed.

(v) Sales with product warranties

The Group provides statutory warranty for automobiles and automobile parts, and the periods and terms of such warranty comply with the requirements of laws and regulations related to the products. The Group does not provide any significant additional service or additional warranty for this purpose, thus this kind of warranty cannot be identified as a separate performance obligation. In addition, the Group also offers additional warranty other than the requirements of laws and regulations, which is identified as a separate performance obligation. The Group recognises the revenue of the additional warranty over time during the period when services are rendered.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are outlined below:

(i) Measurement of ECL

The Group calculates ECL through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information.

When considering forward-looking information, the Group considers different macroeconomic scenarios. In 2020, the weights of “base”, “bad” and “good” are 68%, 16% and 16% under three economic scenarios respectively for the consideration of forward-looking information. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL rate, including the risks of economic downturn, external market environment, changes of technological environment and customer, gross domestic product and money supply etc. In 2020, the Group has considered the uncertainty caused by the COVID-19 and updated relevant assumptions and parameters accordingly. The key macroeconomic parameters used in each scenario are listed as follows:

| | Scenarios | | |
|------------------------|-----------|--------|--------|
| | Base | Bad | Good |
| Gross domestic product | 14.25% | 14.15% | 14.34% |
| Money supply | 9.20% | 7.72% | 10.68% |

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

- (24) Critical accounting estimates and judgements (Cont'd)
- (b) Critical accounting estimates and key assumptions (Cont'd)
- (ii) Impairment of long-term assets

The Group assesses whether there is any indication that non-current assets other than financial assets may be impaired at the balance sheet date. When there are indications showing the carrying amounts of such assets cannot be recovered, an impairment test will be performed.

When the carrying amount of non-current assets or asset groups other than financial assets is higher than the recoverable amount, which is the higher of an asset's fair value less disposal costs and the present value of the future cash flows expected to be derived from the asset, it shows non-current assets or asset groups are impaired.

The amount of an asset's fair value less disposal costs was determined by the price of a sale agreement in a fair trade, less the costs that are directly attributable to the disposal of the asset. Where there is no sales agreement but there is an active market of assets, the amount is determined by the market price less the costs that are directly attributable to the disposal of the asset. The market price of assets is determined by the considerations provided by the buyer. Where there is no sales agreement or active market of assets, the amount of an asset's fair value less disposal costs was determined based on the best information available, with reference to the latest transaction price or results of similar assets of the same industry.

Disposal costs include legal cost, taxes and handling fee related to asset disposal, and direct costs incurred to bring the assets to a saleable state..

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(iii) Income tax and deferred income tax

The Group is subject to enterprise income tax in multiple regions. There are some transactions and events for which the ultimate tax treatment is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these regions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 3(2), the Company is a high-tech enterprise. The “High-Tech Enterprise Certificate” is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and its actual conditions, the Company considers that it is able to obtain the qualification for high-tech enterprises in the next 3 years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If the Company cannot obtain the qualification for high-tech enterprise upon expiration, the Company is subject to a statutory tax rate of 25% for the calculation of income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through ordinary course of business and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

(iv) Provisions

The Group undertakes after-sales repair or replacement obligations for automobiles sold based on the after-sales service agreement. Management estimates related provisions based on historical after-sales service data, including the repair and replacement provided as well as current trends.

Factors that may impact the estimation of warranty costs include improvement of the Group's productivity and production quality, as well as changes in related parts and labour costs. Any increase or decrease in provisions will have impact on profit or loss of the Group in the future.

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(v) Provision for inventories

The Group's inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the amount of the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sales and related taxes.

If the management revises the estimated selling price of the inventory, the estimated costs to be incurred by the time of completion, and the estimated selling expenses and related taxes, the revised estimated selling price is lower than the currently adopted estimated selling price, or the revised until The estimated costs, estimated sales expenses, and related taxes and fees at the completion of the project are higher than the currently adopted estimates, the Group needs to make provision for inventory.

If the actual selling prices, costs to completion, selling and distribution expenses and related taxes are higher or lower than management's estimates, the Group shall recognise the relevant differences in the consolidated income statement during the corresponding accounting period.

(25) Significant changes in accounting policies

In 2020, the Ministry of Finance issued the *Circular on Accounting Regulations of Rental Waivers Against COVID-19* (Cai Kuai [2020] No. 10) and the *Questions and Answers on the Implementation of Accounting Standards for Business Enterprises* (issued on December 11, 2020). The Group has adopted the aforementioned notice and implementation Q&A to prepare the 2020 financial statements. The effects on the financial statements of the Group and the Company are listed below:

(a) Accounting treatment on the rental waivers related to COVID-19

For the rental waivers that were directly caused by the COVID-19, and agreed with lessees and lessors respectively for the period ended 30 June 2021, the Group and the Company as the lessees have applied the practical expedient following the circular above for the preparation of the financial statements for the year ended on 31 December 2020(Note 4(44)). No impact on the Group and the Company as lessor with the issue of the Circular.

(b) the Questions and Answers on the Implementation of Accounting Standards for Business Enterprises

The *Questions and Answers on the Implementation of Accounting Standards for Business Enterprises* (issued on December 11, 2020) has no impact on the Group's and the Company's financial reports for the year ended on 31 December 2020.

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3 Taxation

- (1) The main categories and rates of taxes applicable to the Group are set out below:

| Category | Taxation basis | Tax rate |
|---|---|----------------|
| Corporate income tax (a) | Taxable income | 15% and 25% |
| VAT (b) | Taxable value-added amount (Tax payable is calculated by multiplying the taxable sales amount by the applicable tax rate less deductible input VAT of the current period) | 13%, 9% and 6% |
| Consumption tax (c) | Taxable sales amount | 3%, 5% and 9% |
| City maintenance and construction tax (d) | The payment amount of VAT and consumption tax | 5% and 7% |

- (a) Pursuant to the *Circular on Enterprise Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) and relevant regulations issued by the State Taxation Administration, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

Pursuant to the *Circular on Increasing the Pre-tax Deduction for Research and Development Expenses* (Cai Shui [2018] No. 99) issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology and relevant regulations, during the period from 1 January 2018 to 31 December 2020, the Groups' actual research and development expenses that are not recognised as intangible assets but included in profit or loss are allowed to 75% pre-tax additional deduction; those expenses recognised as intangible assets can be amortised before tax at 175% of the costs of intangible assets.

- (b) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) and relevant regulations jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the Group's taxable products sales revenue is subject to the VAT at the rate of 13%. The Group's real estate leasing business is subject to the VAT at the rate of 9%.

The interest income from its wholly-owned subsidiaries is subject to VAT at the rate of 6%.

- (c) Pursuant to the *Interim Regulations of the People's Republic of China on Consumption Tax* promulgated by the State Council (Order No. 539 of the State Council of the People's Republic of China) and the *Notice of Ministry of Finance and State Taxation Administration on Adjusting Consumption Tax Policies for Passenger Cars* (Cai Shui [2008] No. 105), the consumption tax rates of the Group's taxable products are 3%, 5% and 9%.

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3 Taxation (Cont'd)

(1) The main categories and rates of taxes applicable to the Group are set out below(Cont'd):

(d) Pursuant to the *Circular of the State Council on Unifying the Collection of City Construction and Maintenance Tax and Educational Surcharge on Domestic and Foreign-Owned Enterprises and Individuals* (Guo Fa [2010] No. 35) issued by the State Council, the Group is subject to city construction and maintenance tax at the rates of 5% and 7%.

(2) Tax preference

Pursuant to the *Circular of Jiangxi High-Tech Enterprise Certification Leading Group on the Announcement of the First Batch of High-Tech Enterprises of Jiangxi Province for the year 2018* (Gan Gao Qi Ren Fa [2018] No. 3), the Company is certified as a high-tech enterprise, and the valid term is three years. During the period from 1 January 2018 to 31 December 2020, the Company was subject to enterprise income tax at the rate of 15%.

In 2020, except for the Company, the Company's wholly-owned companies, including JMC Heavy Duty Vehicle Co., Ltd. ("JMCH"), Taiyuan Jiangling Motive Power Co., Ltd. ("JMPC"), Jiangling Motor Sales Co., Ltd. ("JMCS"), Shenzhen Fujiang New Energy Automobile Sales Co., Ltd. ("SZFJ"), and Guangzhou Fujiang New Energy Automobile Sales Co., Ltd. ("GZFJ"), were subject to the enterprise income tax at the rate of 25% (2019: 25%).

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4 Notes to the consolidated financial statements

(1) Cash and cash equivalents

| | 31 December 2020 | 31 December 2019 |
|-------------------|-----------------------|----------------------|
| Bank balances (a) | <u>11,121,955,129</u> | <u>8,937,936,658</u> |

- (a) As at 31 December 2020, cash at bank of the Group deposited with Jiangling Motor Group Finance Company ("JMCF") was RMB1,231,825,734 (31 December 2019: RMB967,750,294) (Note 7(6)), and interest was calculated at 0.455% to 3.30% (2019: 0.455% to 3.30%) per annum, which was the interest rate applied to deposits with the same term.

JMCF, a holding subsidiary of Jiangling Motors Group Co., Ltd ("JMCG"), is a non-banking financial institution. JMCG holds 50% equity capital of Nanchang Jiangling Investment Co., Ltd. ("JIC"), a main shareholder of the Company.

(2) Financial assets held for trading

| | 31 December 2020 | 31 December 2019 |
|---------------------|--------------------|------------------|
| Structured Deposits | <u>803,892,985</u> | <u>-</u> |

(3) Notes receivable

| | 31 December 2020 | 31 December 2019 |
|-----------------------|------------------|-------------------|
| Bank acceptance notes | <u>-</u> | <u>85,816,311</u> |

- (a) In 2020, bank acceptance notes of the Group were endorsed or discounted for the purpose of daily treasury management, and were therefore classified as financial assets at fair value through other comprehensive income and recognised as financing receivables (Note 4(5)).

(b) Provision for bad debts

For notes receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component. As at 31 December 2019, the acceptors of the Groups' notes receivable were mainly four major state-owned banks or national joint-stock banks. Therefore, the Group expected there was no significant loss on related bank acceptance notes arising from non-performance by these banks.

(4) Accounts receivable

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|----------------------|----------------------|
| Accounts receivable | 3,233,785,212 | 2,362,312,151 |
| Less: Provision for bad debts | <u>(233,902,000)</u> | <u>(154,075,531)</u> |
| | <u>2,999,883,212</u> | <u>2,208,236,620</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

(a) The ageing of accounts receivable is analysed as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------|----------------------|----------------------|
| Within 1 year | 2,729,338,870 | 1,761,105,893 |
| 1 to 2 years | 18,746,837 | 584,836,934 |
| 2 to 3 years | 477,066,625 | 7,736,444 |
| Over 3 years | 8,632,880 | 8,632,880 |
| | <u>3,233,785,212</u> | <u>2,362,312,151</u> |

(b) As at 31 December 2020, the five largest accounts receivable aggregated by debtor were analysed as follows:

| | Balance | Amount of provision for bad debts | % of total balance |
|-----------|----------------------|---|-----------------------|
| Company 1 | 1,081,916,003 | (2,368,381) | 33.46% |
| Company 2 | 221,782,778 | (1,788,200) | 6.86% |
| Company 3 | 181,185,294 | (380,851) | 5.60% |
| Company 4 | 89,745,500 | (463,481) | 2.78% |
| Company 5 | 74,480,000 | (74,480,000) | 2.30% |
| | <u>1,649,109,575</u> | <u>(79,480,913)</u> | <u>51.00%</u> |

(c) Provision for bad debts

For accounts receivable, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component.

(i) Accounts receivable for which provision for bad debts is made on the individual basis are analysed as follows:

| | 31 December 2020 | | |
|---------------------------------------|--------------------|-------------------------|----------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| New energy subsidies receivable i) | 103,180,418 | 100% | (103,180,418) |
| Receivables for automobiles ii) | 83,112,880 | 100% | (83,112,880) |
| | <u>186,293,298</u> | | <u>(186,293,298)</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) Accounts receivable for which provision for bad debts is made on the individual basis are analysed as follows (Cont'd):

| | 31 December 2019 | | |
|------------------------------------|--------------------|-------------------------|----------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| New energy subsidies receivable i) | 20,410,500 | 100% | (20,410,500) |
| Receivables for automobiles ii) | 89,652,880 | 100% | (89,652,880) |
| | <u>110,063,380</u> | | <u>(110,063,380)</u> |

i) As at 31 December 2020, government subsidies receivable for new energy automobiles amounted to RMB103,180,418 (31 December 2019: RMB20,410,500). As the corresponding new energy vehicles may not meet the corresponding subsidy policy standards, the Group considered the receivables cannot be collected, therefore, full provision was made for those receivables.

ii) As at 31 December 2020 and 31 December 2019, since aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, the Group considered the receivables cannot be collected, therefore, full provision was made for those receivables.

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows:

Grouping - Sales of general automobiles:

| | 31 December 2020 | | |
|---------------------------|----------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 2,092,329,084 | 0.21% | (4,395,983) |
| Overdue for 1 to 30 days | 262,730,035 | 0.21% | (551,996) |
| Overdue for 31 to 60 days | 345,798 | 6.35% | (21,961) |
| Overdue for 61 to 90 days | 1,936,800 | 10.74% | (208,085) |
| Overdue over 90 days | 17,757,747 | 17.59% | (3,123,783) |
| | <u>2,375,099,464</u> | | <u>(8,301,808)</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - Sales of general automobiles (Cont'd):

| | 31 December 2019 | | |
|---------------------------|----------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 1,152,290,771 | 0.05% | (557,709) |
| Overdue for 1 to 30 days | 15,981,120 | 0.05% | (7,735) |
| Overdue for 31 to 60 days | 2,840,000 | 1.20% | (34,020) |
| Overdue for 61 to 90 days | 322,500 | 1.97% | (6,361) |
| Overdue over 90 days | 31,805,044 | 4.63% | (1,473,940) |
| | <u>1,203,239,435</u> | | <u>(2,079,765)</u> |

Grouping - Sales of new energy automobiles:

| | 31 December 2020 | | |
|---------------------------|--------------------|-------------------------|---------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 149,343,763 | 6.28% | (9,378,788) |
| Overdue for 1 to 30 days | - | — | - |
| Overdue for 31 to 60 days | 194,083,088 | 14.52% | (28,173,753) |
| Overdue for 61 to 90 days | - | — | - |
| Overdue over 90 days | 3,993,700 | 16.25% | (649,037) |
| | <u>347,420,551</u> | | <u>(38,201,578)</u> |

| | 31 December 2019 | | |
|-------------|------------------|-------------------------|--------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 476,963,589 | 5.53% | (26,383,009) |

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - Sales of other automobiles:

| | 31 December 2020 | | |
|-------------|------------------|-------------------------|--------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | - | — | - |

| | 31 December 2019 | | |
|---------------------------|-------------------|-------------------------|---------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 40,409,688 | 5.88% | (2,377,114) |
| Overdue for 1 to 30 days | 17,872,947 | 6.49% | (1,160,830) |
| Overdue for 31 to 60 days | 5,835,616 | 26.08% | (1,521,779) |
| Overdue for 61 to 90 days | 1,202,062 | 28.14% | (338,307) |
| Overdue over 90 days | 28,182,682 | 30.07% | (8,474,046) |
| | <u>93,502,995</u> | | <u>(13,872,076)</u> |

Grouping - Spare parts:

| | 31 December 2020 | | |
|---------------------------|--------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 288,024,625 | 0.30% | (864,074) |
| Overdue for 1 to 30 days | 21,425,030 | 0.30% | (64,275) |
| Overdue for 31 to 60 days | 11,544,651 | 0.50% | (57,723) |
| Overdue for 61 to 90 days | 1,809,917 | 0.60% | (10,860) |
| Overdue over 90 days | 2,167,676 | 5.00% | (108,384) |
| | <u>324,971,899</u> | | <u>(1,105,316)</u> |

| | 31 December 2019 | | |
|---------------------------|--------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 437,010,972 | 0.30% | (1,296,939) |
| Overdue for 1 to 30 days | 29,418,407 | 0.30% | (88,255) |
| Overdue for 31 to 60 days | 4,207,971 | 0.50% | (21,040) |
| Overdue for 61 to 90 days | 2,822,814 | 0.60% | (16,937) |
| Overdue over 90 days | 5,082,588 | 5.00% | (254,130) |
| | <u>478,542,752</u> | | <u>(1,677,301)</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(4) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(iii) The provision for bad debts in the current year amounted to RMB86,397,936, of which RMB6,540,000 was reversed. The book balance was RMB6,540,000. The significant amounts collected or reversed were as follows:

| | Reasons for reversal/recovery | Basis and justification for determining the provision for bad debts | Amount of reversal/recovery | Recovery method |
|-----------------------|---|--|-----------------------------|-----------------|
| Accounts receivable 1 | The actual receipt of account receivables relating to the provision for bad debts made in the prior period. | The aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, the Group considered the receivables cannot be collected, therefore, full provision was made for those receivables. | 6,540,000 | Received |

(d) In 2020, RMB31,467 of the book balance of account receivables has been written off by the Group, and the amount of bad debt reserves is RMB31,467. The reason for write-off is that the relevant receivables can not be recovered.

(e) As at 31 December 2020 and 31 December 2019, there were no accounts receivable pledged.

(5) Financing receivables

| | 31 December 2020 | 31 December 2019 |
|-----------------------|--------------------|--------------------|
| Financing receivables | <u>815,583,669</u> | <u>289,044,373</u> |

The Group endorses the bank acceptance notes as required by daily fund management, which also met the criteria for derecognition, and therefore classified those the bank acceptance notes as financial assets at fair value through other comprehensive income.

The Group had no bank acceptance notes for which the provision for impairment was made on the individual basis, and measured provision for bad debts based on the lifetime ECL. As at 31 December 2020 and 31 December 2019, the acceptors of the Groups' notes receivable were mainly four major state-owned banks or national joint-stock banks. Therefore, the Group expected there was no significant loss on related bank acceptance notes arising from non-performance by these banks.

As at 31 December 2020, the Group had no bank acceptance notes receivable that have been endorsed or discounted but not yet matured presented in financing receivables.

As 31 December 2019, financing receivables with a carrying amount of RMB34,196,500 were pledged as collateral for the notes payable of RMB31,400,000 (Note 4(19)).

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4 Notes to the consolidated financial statements (Cont'd)

(5) Financing receivables (Cont'd)

As at 31 December 2020, the notes receivables were endorsed or discounted by the Group but not matured as follows:

| | Derecognised | Not derecognised |
|-----------------------|--------------------|------------------|
| Bank acceptance notes | <u>555,989,673</u> | <u>-</u> |

(6) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

| | <u>31 December 2020</u> | | <u>31 December 2019</u> | |
|---------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | Amount | % of total balance | Amount | % of total balance |
| Within 1 year | <u>452,714,683</u> | <u>100%</u> | <u>517,122,502</u> | <u>100%</u> |

(b) As at 31 December 2020, the five largest advances to suppliers aggregated by debtor were analysed as follows:

| | Amount | % of total balance |
|-----------|--------------------|--------------------|
| Company 1 | 355,529,951 | 78.53% |
| Company 2 | 52,837,056 | 11.67% |
| Company 3 | 15,951,873 | 3.52% |
| Company 4 | 11,120,922 | 2.46% |
| Company 5 | <u>10,072,073</u> | <u>2.22%</u> |
| | <u>445,511,875</u> | <u>98.40%</u> |

(7) Other receivables

| | 31 December 2020 | 31 December 2019 |
|---|--------------------|--------------------|
| Interest receivable from cash at bank | 60,283,645 | 32,092,621 |
| Import working capital advances | 35,000,000 | 35,000,000 |
| Advances for gas fee | 7,367,141 | 13,208,651 |
| Deposits receivable | 7,152,745 | 7,280,273 |
| Advances for research and development projects | 4,559,669 | 6,141,895 |
| Cash advance | 761,613 | 1,530,488 |
| Others | <u>14,082,669</u> | <u>21,076,025</u> |
| | 129,207,482 | 116,329,953 |
| Less: Provision for bad debts | <u>(217,909)</u> | <u>(346,816)</u> |
| | <u>128,989,573</u> | <u>115,983,137</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(7) Other receivables (Cont'd)

(a) The ageing of other receivables is analysed as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------|--------------------|--------------------|
| Within 1 year | 128,336,086 | 113,830,378 |
| Over 1 year | 871,396 | 2,499,575 |
| | <u>129,207,482</u> | <u>116,329,953</u> |

(b) Provision for losses and changes in book balance statements:

| | Stage 1 | | Stage 3 | | Total |
|---|----------------------------|----------------------------|-----------------------------------|----------------------------|----------------------------|
| | 12-month ECL (grouping) | | Lifetime ECL (credit-impaired) | | |
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts | Provision for bad debts |
| 31 December 2019 | 114,128,008 | (246,106) | 2,201,945 | (100,710) | (346,816) |
| Balance increase/(decrease) in the current year | 15,079,474 | — | (2,201,945) | — | — |
| Including: Write-off in the current year | (7,500) | — | (29,720) | — | — |
| Bad debt provision reversed in the current year | — | 20,697 | — | 70,990 | 91,687 |
| Bad debt provision written off in the current year | — | 7,500 | — | 29,720 | 37,220 |
| 31 December 2020 | <u>129,207,482</u> | <u>(217,909)</u> | <u>-</u> | <u>-</u> | <u>(217,909)</u> |

The Group had no other receivables transferred from Stage 1 to Stage 3, and no other receivables reversed from Stage 3 to Stage 1.

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4 Notes to the consolidated financial statements (Cont'd)

(7) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd):

As at 31 December 2020 and 31 December 2019, the Group had no other receivables at Stage 2. The analysis of other receivables at Stage 1 and Stage 3 is stated below:

(i) As at 31 December 2020 and 31 December 2019, the Group had no other receivables with provision for bad debts on the individual basis.

(ii) As at 31 December 2020 and 31 December 2019, the Group's other receivables with provision for bad debts on the grouping basis were analysed below:

Other receivables with provision on the grouping basis at Stage 1:

| | 31 December 2020 | | | 31 December 2019 | | |
|--|--------------------|----------------------|------------------|--------------------|----------------------|------------------|
| | Book balance | Provision for losses | | Book balance | Provision for losses | |
| | Amount | Provision ratio | Amount | Amount | Provision ratio | Amount |
| Portfolios of interest from cash at bank i): | | | | | | |
| Within 1 year | 60,283,645 | - | - | 32,092,621 | - | - |
| Grouping - Operating advances and deposits: | | | | | | |
| Within 1 year | 68,052,441 | 0.32% | (215,154) | 81,737,757 | 0.30% | (245,213) |
| Over 1 year | 871,396 | 0.32% | (2,755) | 297,630 | 0.30% | (893) |
| | <u>129,207,482</u> | | <u>(217,909)</u> | <u>114,128,008</u> | | <u>(246,106)</u> |

i) As at 31 December 2020 and 31 December 2019, the Group's interest receivable from cash at bank mainly came from four major state-owned banks or national joint-stock banks. Therefore, the Group expected that there was no material credit risk associated with related interest receivable and thus there was no significant losses on related interest receivable from non-performance by these banks.

Other receivables with provision on the grouping basis at Stage 3:

| | 31 December 2020 | | | 31 December 2019 | | |
|---|------------------|----------------------|--------|------------------|----------------------|-----------|
| | Book balance | Provision for losses | | Book balance | Provision for losses | |
| | Amount | Provision ratio | Amount | Amount | Provision ratio | Amount |
| Grouping - Operating advances and guarantees: | | | | | | |
| Over 1 year | - | - | - | 2,201,945 | 4.57% | (100,710) |

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4 Notes to the consolidated financial statements (Cont'd)

(7) Other receivables (Cont'd)

(c) RMB91,687 of provision for bad debts was reversed in the current year. The book balance was RMB8,452,397. The reversal in the current period was due to the actual receipt of other receivables relating to the provision for bad debts made in the prior period.

(d) In 2020, RMB37,220 of the book balance of account receivables has been written off by the Group, and the amount of bad debt reserves is RMB37,220. The reason for write-off is that the relevant other receivables can not be recovered.

(e) As at 31 December 2020, the five largest other receivables aggregated by debtor were analysed as follows:

| | Nature | Balance | Ageing | % of total balance | Provision for bad debts |
|-----------|---------------------------------|-------------------|---------------|--------------------|-------------------------|
| Company 1 | Advances classified as expenses | 35,201,661 | Within 1 year | 27.24% | (105,605) |
| Company 2 | Advances classified as expenses | 4,480,000 | Within 1 year | 3.47% | (13,440) |
| Company 3 | Advances classified as expenses | 4,473,131 | Within 1 year | 3.46% | (22,366) |
| Company 4 | Advances classified as expenses | 4,096,234 | Within 1 year | 3.17% | (12,289) |
| Company 5 | Advances classified as expenses | 3,467,920 | Within 1 year | 2.68% | (10,404) |
| | | <u>51,718,946</u> | | <u>40.02%</u> | <u>(164,104)</u> |

(8) Inventories

(a) Inventories are summarised by categories as follows:

| | 31 December 2020 | | | 31 December 2019 | | |
|-----------------------------------|----------------------|---------------------------|----------------------|----------------------|---------------------------|----------------------|
| | Book balance | Provision for inventories | Carrying amount | Book balance | Provision for inventories | Carrying amount |
| Materials in transit | 98,887,111 | - | 98,887,111 | 92,258,083 | - | 92,258,083 |
| Raw materials | 816,201,410 | (109,312,198) | 706,889,212 | 928,829,697 | (73,152,658) | 855,677,039 |
| Work in progress | 268,716,191 | (175,387) | 268,540,804 | 158,440,370 | (357,692) | 158,082,678 |
| Finished goods | 815,055,053 | - | 815,055,053 | 624,485,048 | - | 624,485,048 |
| Low cost consumables | 160,969,525 | (32,479,143) | 128,490,382 | 168,917,445 | (9,812,965) | 159,104,480 |
| Materials processed on commission | 68,743,130 | - | 68,743,130 | 57,261,764 | - | 57,261,764 |
| | <u>2,228,572,420</u> | <u>(141,966,728)</u> | <u>2,086,605,692</u> | <u>2,030,192,407</u> | <u>(83,323,315)</u> | <u>1,946,869,092</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(8) Inventories (Cont'd)

(b) Provision for inventories is analysed as follows:

| | 31 December 2019 | Increase in the current year Provision | Decrease in the current year | | 31 December 2020 |
|----------------------|---------------------|---|------------------------------|-------------------|----------------------|
| | | | Reversal | Write-off | |
| Raw materials(i) | (73,152,658) | (78,841,927) | 5,823,491 | 36,858,896 | (109,312,198) |
| Work in progress | (357,692) | (3,133,473) | 15,797 | 3,299,981 | (175,387) |
| Low cost consumables | (9,812,965) | (29,534,334) | 70,647 | 6,797,509 | (32,479,143) |
| Finished goods | - | (27,657,320) | - | 27,657,320 | - |
| | <u>(83,323,315)</u> | <u>(139,167,054)</u> | <u>5,909,935</u> | <u>74,613,706</u> | <u>(141,966,728)</u> |

(i) In 2020, due to the business restructuring plan of JMCH, the Group reserved RMB64,906,746 of provision for inventories for raw materials related to heavy trucks.

(c) Provision for inventories is as follows:

| | Specific basis for determining net realisable value | Reason for current year reversal or write-off of provision for inventories |
|---|--|---|
| Raw materials/Work in progress/Low value consumables/ Finished goods | Based on the estimated selling price, less the estimated costs to completion, estimated selling and distribution expenses and related taxes | The net realizable value of inventories with provision has increased or sales have been achieved |

(9) Other current assets

| | 31 December 2020 | 31 December 2019 |
|---|--------------------|--------------------|
| Taxes Prepaid, Input VAT to be deducted and to be verified | 736,953,815 | 973,426,066 |
| Others | 415,922 | - |
| | <u>737,369,737</u> | <u>973,426,066</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(10) Long-term equity investments

| | 31 December 2020 | 31 December 2019 |
|--|-------------------|-------------------|
| Associate | | |
| - Hanon Systems (Nanchang) Co., Ltd. (“Hanon Systems”) | 39,496,548 | 40,934,557 |
| Less: Provision for impairment of long-term equity investments | - | - |
| | <u>39,496,548</u> | <u>40,934,557</u> |

Associate

| | 31 December 2019 | Movements for the current year | | | 31 December 2020 | Shareholding (%) | Voting rights (%) | Ending balance of provision for impairment |
|---------------|---------------------|--|---|--|---------------------|---------------------|----------------------|---|
| | | Increase or decrease in investment | Share of net profit/(loss) under equity method | Cash dividends declared by joint ventures | | | | |
| Hanon Systems | <u>40,934,557</u> | - | (1,438,009) | - | <u>39,496,548</u> | 19.15% | 33.33% | - |

Related information of equity in associates is set forth in Note 5(2).

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4 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------|----------------------|----------------------|
| Fixed assets (a) | 5,164,260,516 | 5,714,483,873 |
| Fixed assets pending for disposal (b) | 1,695,894 | 5,704 |
| | <u>5,165,956,410</u> | <u>5,714,489,577</u> |

(a) Fixed assets

| | Buildings | Machinery and equipment | Motor vehicles | Moulds | Electronic and other equipment | Total |
|--|---------------|----------------------------|----------------|---------------|--------------------------------------|----------------|
| Cost | | | | | | |
| 31 December 2019 | 2,294,038,213 | 3,820,737,800 | 350,288,109 | 3,030,590,946 | 3,671,943,742 | 13,167,598,810 |
| Increase in the current year | | | | | | |
| Transfer from construction in progress | 34,126,149 | 355,483,408 | 12,754,605 | 161,020,989 | 411,600,533 | 974,985,684 |
| Decrease in the current year | | | | | | |
| Disposal or retirement | (27,212,732) | (157,880,838) | (9,511,314) | (37,350,631) | (77,757,723) | (309,713,238) |
| Other decreases | - | (7,057,370) | (13,404) | - | (1,545,205) | (8,615,979) |
| 31 December 2020 | 2,300,951,630 | 4,011,283,000 | 353,517,996 | 3,154,261,304 | 4,004,241,347 | 13,824,255,277 |

Accumulated depreciation

| | | | | | | |
|------------------------------|---------------|-----------------|---------------|-----------------|-----------------|-----------------|
| 31 December 2019 | (519,318,152) | (2,278,813,606) | (204,218,309) | (2,085,299,039) | (2,324,170,685) | (7,411,819,791) |
| Increase in the current year | | | | | | |
| Provision | (57,270,163) | (242,177,779) | (34,858,329) | (317,870,045) | (332,791,697) | (984,968,013) |
| Decrease in the current year | | | | | | |
| Disposal or retirement | 3,003,802 | 127,086,650 | 6,466,874 | 30,497,382 | 59,448,341 | 226,503,049 |
| Other decreases | - | 3,828,073 | 12,867 | - | 1,324,549 | 5,165,489 |
| 31 December 2020 | (573,584,513) | (2,390,076,662) | (232,596,897) | (2,372,671,702) | (2,596,189,492) | (8,165,119,266) |

Provision for impairment

| | | | | | | |
|------------------------------|---|--------------|-------------|---------------|--------------|---------------|
| 31 December 2019 | - | (25,422,141) | (120,218) | (12,544,916) | (3,207,871) | (41,295,146) |
| Increase in the current year | | | | | | |
| Provision | - | (93,871,519) | (6,035,889) | (336,291,094) | (51,332,700) | (487,531,202) |
| Decrease in the current year | | | | | | |
| Disposal or retirement | - | 24,917,537 | 86,049 | 5,820,387 | 3,126,880 | 33,950,853 |
| 31 December 2020 | - | (94,376,123) | (6,070,058) | (343,015,623) | (51,413,691) | (494,875,495) |

Carrying amount

| | | | | | | |
|------------------|---------------|---------------|-------------|-------------|---------------|---------------|
| 31 December 2020 | 1,727,367,117 | 1,526,830,215 | 114,851,041 | 438,573,979 | 1,356,638,164 | 5,164,260,516 |
| 31 December 2019 | 1,774,720,061 | 1,516,502,053 | 145,949,582 | 932,746,991 | 1,344,565,186 | 5,714,483,873 |

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4 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets (Cont'd)

(a) Fixed assets (Cont'd)

In 2020, depreciation charged to fixed assets amounted to RMB984,968,013 (2019: RMB969,478,798), of which the depreciation expenses charged in the cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses were RMB747,787,243, RMB2,892,455, RMB166,883,300 and RMB67,405,015 (2019: RMB790,992,559, RMB3,260,383, RMB115,365,782 and RMB59,860,074), respectively.

The cost of fixed assets transferred from construction in progress amounted to RMB974,985,684 (2019: RMB1,042,771,468) (Note 4(12)).

(i) Temporarily idle fixed assets

As at 31 December 2020, the fixed assets with a carrying amount of approximately RMB16,532,578 (a cost of RMB483,214,712) (31 December 2019: a carrying amount of approximately RMB6,376,873 and a cost of RMB155,507,908) were temporarily idle due to the change of business development, product strategies and product process etc. The analysis is as follows:

| | Cost | Accumulated depreciation | Provision for impairment | Carrying amount |
|--------------------------------|--------------------|--------------------------|--------------------------|-------------------|
| Buildings | 10,477,140 | (4,549,839) | - | 5,927,301 |
| Machinery and equipment | 55,415,375 | (42,163,992) | (7,620,412) | 5,630,971 |
| Motor vehicles | 5,519,385 | (2,016,508) | (2,636,698) | 866,179 |
| Moulds | 349,748,814 | (24,001,151) | (325,670,979) | 76,684 |
| Electronic and other equipment | 62,053,998 | (44,183,452) | (13,839,103) | 4,031,443 |
| | <u>483,214,712</u> | <u>(116,914,942)</u> | <u>(349,767,192)</u> | <u>16,532,578</u> |

In 2020, due to the business restructuring plan of JMCH, the Group made a full provision for impairment of mould, electronic equipment and machinery equipment related to heavy trucks of RMB338,691,692 with a book value of RMB338,691,692.

(ii) Fixed assets with pending certificates of ownership:

| | Carrying amount | Reasons for not obtaining certificates of ownership |
|-----------|--------------------|---|
| Buildings | <u>456,380,649</u> | Pending procedures |

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4 Notes to the consolidated financial statements (Cont'd)

(11) Fixed assets (Cont'd)

(b) Fixed assets pending for disposal

| | 31 December 2020 | 31 December 2019 |
|--------------------------------|------------------|------------------|
| Electronic and other equipment | 1,639,777 | 3,208 |
| Machinery and equipment | 56,117 | - |
| Motor vehicles | - | 2,496 |
| | <u>1,695,894</u> | <u>5,704</u> |

(12) Construction in progress

| | 31 December 2020 | | | 31 December 2019 | | |
|---|----------------------|--------------------------|----------------------|----------------------|--------------------------|----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Fushan new plant investment project | 522,070,550 | - | 522,070,550 | 843,501,521 | - | 843,501,521 |
| Capacity optimization project | 504,378,481 | - | 504,378,481 | - | - | - |
| Engine construction project | 106,148,911 | - | 106,148,911 | 132,731,701 | - | 132,731,701 |
| Construction of Xiaolan 600 mu Phase 3 plan | 105,196,107 | - | 105,196,107 | 35,720,297 | - | 35,720,297 |
| CX756 project | 89,516,432 | - | 89,516,432 | 57,798,588 | - | 57,798,588 |
| Collision Simulation Laboratory | 45,422,684 | - | 45,422,684 | 27,073,143 | - | 27,073,143 |
| N822 project | 31,176,961 | - | 31,176,961 | - | - | - |
| CX743 conversion project | 26,409,132 | - | 26,409,132 | - | - | - |
| V348 conversion project | 23,183,603 | - | 23,183,603 | 5,168,412 | - | 5,168,412 |
| N356 project | 13,789,890 | - | 13,789,890 | 56,765,898 | - | 56,765,898 |
| JF8/CX743 project | 7,347,943 | - | 7,347,943 | 21,392,593 | - | 21,392,593 |
| Independently developed gasoline engine project | 1,041,249 | - | 1,041,249 | 12,192,019 | - | 12,192,019 |
| N806 project | 622,136 | - | 622,136 | 1,837,618 | - | 1,837,618 |
| Stamping/frame capacity improvement project | 137,377 | - | 137,377 | 14,273,769 | - | 14,273,769 |
| J28 project | - | - | - | 1,049,999 | - | 1,049,999 |
| Xiaolan gasoline engine assembly Phase 2 project | - | - | - | 4,122,311 | - | 4,122,311 |
| Gasoline engine processing capacity expansion project | - | - | - | 96,957,862 | - | 96,957,862 |
| Technology research institute project | - | - | - | 19,292,516 | - | 19,292,516 |
| Vehicles capacity investment project | - | - | - | 72,757,444 | - | 72,757,444 |
| Other miscellaneous and pending installation projects | 59,747,960 | (691,646) | 59,056,314 | 96,180,733 | (691,646) | 95,489,087 |
| | <u>1,536,189,416</u> | <u>(691,646)</u> | <u>1,535,497,770</u> | <u>1,498,816,424</u> | <u>(691,646)</u> | <u>1,498,124,778</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(12) Construction in progress (Cont'd)

(a) Movement of significant projects of construction in progress

| Project name | Budget (in RMB 0'000) | 31 December 2019 | Increase in the current year | Transfer to fixed assets in the current year | Decrease in the current year | 31 December 2020 | % of project investment in budget | Progress of project | Accumulative capitalised borrowing costs | Including: Borrowing costs capitalised in the current year | Source of fund |
|---|--------------------------|---------------------|---------------------------------|---|------------------------------------|---------------------|---|------------------------|---|---|-------------------|
| Fushan new plant investment project | 205,200 | 843,501,521 | 162,786,231 | (482,376,968) | (1,840,234) | 522,070,550 | 49% | 49% | - | - | Self-owned funds |
| Capacity optimization project | 179,462 | - | 505,284,481 | (906,000) | - | 504,378,481 | 28% | 28% | - | - | Self-owned funds |
| Engine construction project | 67,000 | 132,731,701 | - | (13,631,696) | (12,951,094) | 106,148,911 | 68% | 68% | - | - | Self-owned funds |
| Construction of Xiaolan 600 mu Phase 3 plan | 20,977 | 35,720,297 | 71,290,851 | (1,815,041) | - | 105,196,107 | 51% | 51% | - | - | Self-owned funds |
| CX756 project | 17,000 | 57,798,588 | 42,150,348 | (10,432,504) | - | 89,516,432 | 59% | 59% | - | - | Self-owned funds |
| Collision Simulation Laboratory | 9,651 | 27,073,143 | 43,422,948 | (25,073,407) | - | 45,422,684 | 73% | 73% | - | - | Self-owned funds |
| N822 project | 16,900 | - | 31,176,961 | - | - | 31,176,961 | 18% | 18% | - | - | Self-owned funds |
| CX743 conversion project | 11,006 | - | 26,540,451 | (131,319) | - | 26,409,132 | 24% | 24% | - | - | Self-owned funds |
| V348 conversion project | 4,390 | 5,168,412 | 20,820,504 | (2,805,313) | - | 23,183,603 | 60% | 60% | - | - | Self-owned funds |
| N356 project | 11,802 | 56,765,898 | 37,064,554 | (76,810,562) | (3,230,000) | 13,789,890 | 92% | 92% | - | - | Self-owned funds |
| JF8/CX743 project | 13,000 | 21,392,593 | 2,523,276 | (16,567,926) | - | 7,347,943 | 98% | 98% | - | - | Self-owned funds |
| Independently developed gasoline engine project | 43,200 | 12,192,019 | 1,418,568 | (12,569,338) | - | 1,041,249 | 92% | 92% | - | - | Self-owned funds |
| N806 project | 2,860 | 1,837,618 | 1,508,997 | (2,724,479) | - | 622,136 | 70% | 70% | - | - | Self-owned funds |
| Stamping/frame capacity improvement project | 56,778 | 14,273,769 | 6,272,348 | (20,408,740) | - | 137,377 | 81% | 81% | - | - | Self-owned funds |
| J28 project | 6,224 | 1,049,999 | 259,235 | (1,309,234) | - | - | 83% | 83% | - | - | Self-owned funds |
| Xiaolan gasoline engine assembly Phase 2 project | 3,612 | 4,122,311 | 401,954 | (4,524,265) | - | - | 92% | 92% | - | - | Self-owned funds |
| Gasoline engine processing capacity expansion project | 16,445 | 96,957,862 | 21,343,439 | (118,301,301) | - | - | 72% | 72% | - | - | Self-owned funds |

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4 Notes to the consolidated financial statements (Cont'd)

(12) Construction in progress (Cont'd)

(a) Movements of significant projects of construction in progress (Cont'd)

| Project name | Budget (in RMB 0'000) | 31 December 2019 | Increase in the current year | Transfer to fixed assets in the current year | Decrease in the current year | 31 December 2020 | % of project investment in budget | Progress of project | Accumulative amount of capitalised borrowing costs | Including: Borrowing costs capitalised in the current year | Source of fund |
|--|--------------------------|----------------------|---------------------------------|---|------------------------------------|----------------------|---|------------------------|--|---|----------------------------------|
| Technology research institute | 18,600 | 19,292,516 | - | (11,071,594) | (8,220,922) | - | 100% | 100% | - | - | Self-owned funds |
| Vehicles capacity investment project | 90,200 | 72,757,444 | - | (42,832,063) | (29,925,381) | - | 100% | 100% | - | - | Self-owned funds |
| Other miscellaneous and pending installation projects | | 96,180,733 | 126,455,204 | (130,693,934) | (32,194,043) | 59,747,960 | | | 292,897 | - | Self-owned funds and loans |
| | | <u>1,498,816,424</u> | <u>1,100,720,350</u> | <u>(974,985,684)</u> | <u>(88,361,674)</u> | <u>1,536,189,416</u> | | | <u>292,897</u> | | |

(b) Provision for impairment of construction in progress

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 | Reason for provision |
|--|---------------------|---------------------------------|---------------------------------|---------------------|---|
| Other miscellaneous and pending installation projects | (691,646) | - | - | (691,646) | The recoverable amount is lower than the book value |

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4 Notes to the consolidated financial statements (Cont'd)

(13) Right-of-use assets

Buildings

Cost

| | |
|------------------------------|--------------|
| 31 December 2019 | 48,809,592 |
| Increase in the current year | |
| New lease contracts | 7,114,074 |
| Decrease in the current year | |
| Lease contract expires | (13,187,268) |
| 31 December 2020 | 42,736,398 |

Accumulated depreciation

| | |
|------------------------------|--------------|
| 31 December 2019 | (12,769,701) |
| Increase in the current year | |
| Provision | (14,748,075) |
| Decrease in the current year | |
| Lease contract expires | 13,187,268 |
| 31 December 2020 | (14,330,508) |

Provision for impairment

| | |
|------------------------------|---|
| 31 December 2019 | - |
| Increase in the current year | - |
| Decrease in the current year | - |
| 31 December 2020 | - |

Carrying amount

| | |
|------------------|------------|
| 31 December 2020 | 28,405,890 |
| 31 December 2019 | 36,039,891 |

In 2020, depreciation of right-of-use assets amounted to RMB14,748,075 (2019 : RMB12,769,701), of which RMB11,550,187, RMB3,112,038 and RMB85,850 were included in cost of sales and selling, distribution expenses and research and development expenses, respectively(2019: RMB9,868,233 and RMB2,901,468 were included in cost of sales and selling, distribution expenses respectively).

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4 Notes to the consolidated financial statements (Cont'd)

(14) Intangible assets

| | Land use rights | Software use fees | Non-patent technologies | After-sales services management model | Others | Total |
|--|--------------------|----------------------|----------------------------|--|-----------|---------------|
| Cost | | | | | | |
| 31 December 2019 | 886,309,822 | 176,542,395 | 290,025,954 | 36,979,184 | 1,648,171 | 1,391,505,526 |
| Increase in the current year | | | | | | |
| Transfer from construction in progress | - | 31,260,212 | - | - | - | 31,260,212 |
| Internal research and development | - | - | 250,127,116 | - | - | 250,127,116 |
| Decrease in the current year | | | | | | |
| Disposal | - | (836,816) | - | - | (48,655) | (885,471) |
| Others(a) | (134,684,155) | - | - | - | - | (134,684,155) |
| 31 December 2020 | 751,625,667 | 206,965,791 | 540,153,070 | 36,979,184 | 1,599,516 | 1,537,323,228 |

Accumulated amortisation

| | | | | | | |
|---------------------------------|---------------|---------------|---------------|--------------|-------------|---------------|
| 31 December 2019 | (166,614,748) | (109,014,815) | (128,492,763) | (36,979,184) | (1,648,171) | (442,749,681) |
| Increase in the current year | | | | | | |
| Provision | (18,051,315) | (22,449,023) | (87,755,287) | - | - | (128,255,625) |
| Decrease in the current year | | | | | | |
| Disposal | - | 678,796 | - | - | 48,655 | 727,451 |
| Others(a) | 3,153,141 | - | - | - | - | 3,153,141 |
| 31 December 2020 | (181,512,922) | (130,785,042) | (216,248,050) | (36,979,184) | (1,599,516) | (567,124,714) |

Provision for impairment

| | | | | | | |
|---------------------------------|---|---|--------------|---|---|--------------|
| 31 December 2019 | - | - | - | - | - | - |
| Increase in the current year | | | | | | |
| Provision(b) | - | - | (38,806,961) | - | - | (38,806,961) |
| 31 December 2020 | - | - | (38,806,961) | - | - | (38,806,961) |

Carrying amount

| | | | | | | |
|------------------|-------------|------------|-------------|---|---|-------------|
| 31 December 2020 | 570,112,745 | 76,180,749 | 285,098,059 | - | - | 931,391,553 |
| 31 December 2019 | 719,695,074 | 67,527,580 | 161,533,191 | - | - | 948,755,845 |

In 2020, amortisation charged to intangible assets amounted to RMB128,255,625 (2019: RMB90,178,977), of which the amounts charged to cost of sales, selling and distribution expenses, general and administrative expenses, and research and development expenses were RMB546,138 (2019: RMB502,009), RMB406,143 (2019: RMB339,623), RMB37,768,698 (2019: RMB34,934,671) and RMB89,534,646 (2019: RMB54,402,674) respectively.

- (a) In 2020, due to the business restructuring plan of JMCH, the subsidiary of the Group, JMCH, disposed of land related to heavy-duty vehicle research and development projects. The original book value and net value were RMB134,684,155 and RMB131,531,014 respectively.
- (b) In 2020, due to the business restructuring plan of JMCH, the Group has fully accrued an impairment of RMB38,806,961 for non-patent technology rights related to heavy trucks that will cease to be used.

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4 Notes to the consolidated financial statements (Cont'd)

(14) Intangible assets (Cont'd)

The Group's development expenditures are set out below:

| | 31 December 2019 | Increase in the current year | Decrease in the current year | | 31 December 2020 |
|---|---------------------|------------------------------------|---------------------------------------|--------------|---------------------|
| | | | Recognised as intangible assets | Write off | |
| Automobile products development project | 125,142,080 | 320,747,780 | (250,127,116) | (22,289,502) | 173,473,242 |
| Less: impairment provision of development expenditure | - | (22,289,502) | - | 22,289,502 | - |
| | <u>125,142,080</u> | | | | <u>173,473,242</u> |

Expenditures on research and development of the Group incurred in 2020 amounted to RMB1,664,559,872 (2019: RMB1,937,077,557) in total, of which RMB1,343,812,092 (2019: RMB1,776,320,646) was recognised in profit or loss for the current period, RMB147,274,538 (2019: RMB35,614,831) was recognised as intangible assets for the current period and RMB173,473,242 (2019: RMB125,142,080) was included in the ending balance of development expenditures. As at 31 December 2020, the intangible assets developed by the Group accounted for 31% (31 December 2019: 17%) of the carrying amount of intangible assets.

In 2020, due to the business restructuring plan of JMCH, the provision for the development expenditure related to the production of heavy trucks was made by the Group at the amount of RMB22,289,502.

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4 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

| | 31 December 2020 | | 31 December 2019 | |
|--|--|----------------------|--|----------------------|
| | Deductible temporary differences and deductible tax losses | Deferred tax assets | Deductible temporary differences and deductible losses | Deferred tax assets |
| Accrued expenses and provisions | 3,918,637,644 | 896,970,479 | 3,561,590,960 | 802,898,159 |
| Recoverable losses | 2,032,780,205 | 307,105,716 | 1,589,820,677 | 238,495,412 |
| Provision for asset impairment | 897,520,189 | 140,838,024 | 246,399,757 | 39,468,025 |
| Non-patent technology | 108,124,026 | 23,281,348 | 64,246,382 | 16,061,596 |
| Retirement benefits plan | 67,587,000 | 15,497,050 | 68,441,000 | 16,637,150 |
| Deferred income | 49,944,625 | 7,491,694 | 34,389,578 | 5,158,437 |
| Employee education funds unpaid | 42,695,014 | 6,607,339 | 20,980,066 | 3,248,820 |
| Others | 54,068,775 | 8,189,817 | 36,034,838 | 6,154,413 |
| | <u>7,171,357,478</u> | <u>1,405,981,467</u> | <u>5,621,903,258</u> | <u>1,128,122,012</u> |
| Including: | | | | |
| Expected to be recovered within one year (inclusive) | | 1,065,699,235 | | 855,992,754 |
| Expected to be recovered after one year | | <u>340,282,232</u> | | <u>272,129,258</u> |
| | | <u>1,405,981,467</u> | | <u>1,128,122,012</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

(b) Deferred tax liabilities before offsetting

| | 31 December 2020 | | 31 December 2019 | |
|---|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Depreciation of fixed assets | 1,247,553,627 | 235,959,055 | 1,161,290,511 | 260,407,296 |
| Net losses related to debt exemption and equity transactions between parent and subsidiary | 682,000,000 | 102,300,000 | - | - |
| Amortisation of intangible assets | 38,367,939 | 5,779,320 | 32,088,825 | 6,968,005 |
| Differences between the fair value of the identifiable net assets and carrying amount arising from business combinations not under common control | 98,780,656 | 24,695,164 | 101,359,924 | 25,339,981 |
| Others | 1,095,069 | 273,767 | 558,420 | 139,605 |
| | <u>2,067,797,291</u> | <u>369,007,306</u> | <u>1,295,297,680</u> | <u>292,854,887</u> |
| Including: | | | | |
| Expected to be recovered within one year (inclusive) | | 147,540,386 | | 47,363,058 |
| Expected to be recovered after one year | | <u>221,466,920</u> | | <u>245,491,829</u> |
| | | <u>369,007,306</u> | | <u>292,854,887</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(15) Deferred tax assets and deferred tax liabilities (Cont'd)

- (c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|--------------------|----------------------|
| Deductible losses | 171,901,892 | 952,433,909 |
| Deductible temporary differences | 3,119,574 | 165,067,939 |
| | <u>175,021,466</u> | <u>1,117,501,848</u> |

- (d) Deductible losses that are not recognised as deferred tax assets will be expired in following years:

| | 31 December 2020 | 31 December 2019 |
|------|--------------------|--------------------|
| 2020 | — | 72,469,642 |
| 2021 | - | 115,819,543 |
| 2022 | - | 150,713,078 |
| 2023 | - | 240,550,266 |
| 2024 | 171,901,892 | 372,881,380 |
| | <u>171,901,892</u> | <u>952,433,909</u> |

- (e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

| | 31 December 2020 | | 31 December 2019 | |
|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Offsetting amount | Balance after offsetting | Offsetting amount | Balance after offsetting |
| Deferred tax assets | (242,012,142) | 1,163,969,325 | (267,514,906) | 860,607,106 |
| Deferred tax liabilities | (242,012,142) | 126,995,164 | (267,514,906) | 25,339,981 |

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4 Notes to the consolidated financial statements (Cont'd)

(16) Provision for asset impairment and losses

| | 31 December 2019 | Increase in the current year | Decrease in the current year | | 31 December 2020 |
|---|---------------------|---------------------------------|------------------------------|---------------|---------------------|
| | | | Reversal | Write-off | |
| Provision for bad debts of accounts receivable | 154,075,531 | 86,397,936 | (6,540,000) | (31,467) | 233,902,000 |
| Including: Provision for bad debts on the individual basis | 110,063,380 | 82,769,918 | (6,540,000) | - | 186,293,298 |
| Provision for bad debts on the grouping basis | 44,012,151 | 3,628,018 | - | (31,467) | 47,608,702 |
| Provision for bad debts of other receivables | 346,816 | - | (91,687) | (37,220) | 217,909 |
| Sub-total | 154,422,347 | 86,397,936 | (6,631,687) | (68,687) | 234,119,909 |
| Provision for inventories | 83,323,315 | 139,167,054 | (5,909,935) | (74,613,706) | 141,966,728 |
| Provision for impairment of fixed assets | 41,295,146 | 487,531,202 | - | (33,950,853) | 494,875,495 |
| Provision for impairment of construction in progress | 691,646 | - | - | - | 691,646 |
| Provision for impairment of goodwill | 89,028,412 | - | - | - | 89,028,412 |
| Provision for impairment of intangible assets | - | 38,806,961 | - | - | 38,806,961 |
| Provision for impairment of development expenditure | - | 22,289,502 | - | (22,289,502) | - |
| Sub-total | 214,338,519 | 687,794,719 | (5,909,935) | (130,854,061) | 765,369,242 |
| | 368,760,866 | 774,192,655 | (12,541,622) | (130,922,748) | 999,489,151 |

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4 Notes to the consolidated financial statements (Cont'd)

(17) Short-term borrowings

| | 31 December 2020 | 31 December 2019 |
|-------------|--------------------|------------------|
| Credit loan | <u>500,000,000</u> | <u>-</u> |

As at December 31, 2020, the interest rate for the short-term loans ranged from 2.05% to 3.15% (December 31, 2019: Nil).

(18) Derivative financial assets and derivative financial liabilities

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Derivative financial liabilities - Forward exchange contracts | <u>3,716,727</u> | <u>545,632</u> |

As at 31 December 2020 and 31 December 2019, derivative financial liabilities mainly represented forward exchange contracts.

(19) Notes payable

| | 31 December 2020 | 31 December 2019 |
|-----------------------|------------------|-------------------|
| Bank acceptance notes | <u>-</u> | <u>31,400,000</u> |

As at 31 December 2019, notes payable of JMCH (the subsidiary of the Group) of RMB31,400,000 were secured by its financing receivables with a carrying amount of RMB34,196,500 (Note 4(5)).

(20) Accounts payable

| | 31 December 2020 | 31 December 2019 |
|--|-----------------------|----------------------|
| Payable for spare parts | 9,672,652,729 | 7,874,660,108 |
| Payable for raw and auxiliary materials | <u>353,563,148</u> | <u>241,509,481</u> |
| | <u>10,026,215,877</u> | <u>8,116,169,589</u> |

As at 31 December 2020, accounts payable with ageing over 1 year amounted to RMB431,202,897 (31 December 2019: RMB329,574,913), which mainly represented materials payable for which settlement price has not yet been determined, and such payables had not been finally settled yet.

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4 Notes to the consolidated financial statements (Cont'd)

(21) Contract liabilities

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| Advances for automobiles and automobile parts | 521,367,837 | 227,774,183 |
| Advances for maintenance and warranty services | <u>136,685,473</u> | <u>102,109,762</u> |
| | 658,053,310 | 329,883,945 |
| Less: Contract liabilities expected to be included in revenue after one year (Note 4(32)) | <u>(99,526,464)</u> | <u>(61,713,791)</u> |
| | <u>558,526,846</u> | <u>268,170,154</u> |

Contract liabilities amounting to RMB268,170,154 (2019: RMB257,892,059) included in the carrying amount as at 31 December 2019 were transferred to the revenue of 2020, including advances for automobiles and automobile parts amounting to RMB227,774,183 (2019: RMB212,246,322), and advances for maintenance services amounting to RMB40,395,971 (2019: RMB45,645,737).

(22) Employee benefits payable

| | 31 December 2020 | 31 December 2019 |
|--|--------------------|--------------------|
| Short-term employee benefits payable (a) | 617,598,452 | 379,453,114 |
| Defined contribution plans payable (b) | 135,699,978 | - |
| Defined benefit plans payable (c) | 3,415,000 | 3,430,000 |
| Termination benefits payable (d) | <u>2,655,176</u> | <u>2,664,176</u> |
| | <u>759,368,606</u> | <u>385,547,290</u> |

(a) Short-term employee benefits

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|---|--------------------|------------------------------|------------------------------|--------------------|
| Wages and salaries, bonus, allowances and subsidies | 333,252,396 | 1,929,645,659 | (1,723,521,174) | 539,376,881 |
| Staff welfare | 20,408,093 | 112,366,522 | (105,902,110) | 26,872,505 |
| Social security contributions | - | 86,139,884 | (82,262,418) | 3,877,466 |
| Including: Medical insurance | - | 75,909,857 | (75,909,857) | - |
| Work injury insurance | - | 4,436,547 | (559,081) | 3,877,466 |
| Maternity insurance | - | 5,793,480 | (5,793,480) | - |
| Housing funds | - | 140,816,275 | (140,816,275) | - |
| Labour union funds and employee education funds | 25,792,625 | 59,497,302 | (37,818,327) | 47,471,600 |
| Other short-term employee benefits | - | 5,051,802 | (5,051,802) | - |
| | <u>379,453,114</u> | <u>2,333,517,444</u> | <u>(2,095,372,106)</u> | <u>617,598,452</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(22) Employee benefits payable (Cont'd)

(b) Defined contribution plans

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|---------------------------|------------------|---------------------------------|---------------------------------|--------------------|
| Basic pensions | - | 150,589,504 | (18,969,037) | 131,620,467 |
| Supplementary pensions | - | 10,400,000 | (10,400,000) | - |
| Unemployment insurance | - | 4,706,327 | (626,816) | 4,079,511 |
| | <u>-</u> | <u>165,695,831</u> | <u>(29,995,853)</u> | <u>135,699,978</u> |

(c) Defined benefit plans

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|--|------------------|---------------------------------|---------------------------------|------------------|
| Post-retirement benefits payable (Note 4(31)) | <u>3,430,000</u> | <u>2,883,757</u> | <u>(2,898,757)</u> | <u>3,415,000</u> |

(d) Termination benefits payable

| | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Early retirement benefits payable (Note 4(31)) | 1,317,000 | 1,326,000 |
| Other termination benefits (i) | <u>1,338,176</u> | <u>1,338,176</u> |
| | <u>2,655,176</u> | <u>2,664,176</u> |

(i) In 2020, other termination benefits paid by the Group for termination of the employment relationship were RMB15,631,166 (2019: RMB8,423,213).

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4 Notes to the consolidated financial statements (Cont'd)

(23) Taxes payable

| | 31 December 2020 | 31 December 2019 |
|--|--------------------|--------------------|
| Enterprise income tax payable | 88,142,260 | 75,018,772 |
| Consumption tax payable | 78,952,885 | 99,080,033 |
| Unpaid VAT | 26,439,025 | - |
| Land use tax payable | 5,746,521 | 5,399,750 |
| City maintenance and construction tax payable | 2,005,985 | - |
| Educational surcharge payable | 1,432,847 | - |
| Others | 15,725,704 | 19,278,549 |
| | <u>218,445,227</u> | <u>198,777,104</u> |

(24) Other payables

| | 31 December 2020 | 31 December 2019 |
|--|----------------------|----------------------|
| Promotion expenses | 2,213,691,765 | 1,848,583,722 |
| Research and development project expenses | 673,089,112 | 1,016,587,970 |
| Construction expenses | 290,525,592 | 372,865,433 |
| Advertising and new product planning fees | 161,524,470 | 208,380,148 |
| Goods transportation expenses | 148,274,852 | 231,965,841 |
| Deposit payable | 97,973,078 | 95,201,388 |
| Technological transformation project expenses | 21,530,592 | 17,135,118 |
| Consulting fees | 10,298,545 | 5,425,621 |
| Ordinary share dividends payable | 6,463,836 | 6,790,176 |
| Trademark management fees | 2,485,538 | 18,127,537 |
| Others | 527,992,245 | 324,203,884 |
| | <u>4,153,849,625</u> | <u>4,145,266,838</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(24) Other payables (Cont'd)

As at 31 December 2020, other payables with ageing over 1 year of RMB819,824,836 (31 December 2019: RMB721,562,900) mainly comprised deposits collected from logistics companies, distributors and repair stations, payables for projects and payables for research and development expenses. Such payables had not been finally settled yet in view of the continuing business transactions with distributors and service providers, and engineering projects and research and development projects that have not yet been accepted and completed.

(25) Current portion of non-current liabilities

| | 31 December 2020 | 31 December 2019 |
|---|-------------------|-------------------|
| Current portion of lease liabilities (Note 4(28)) | 10,481,886 | 13,386,576 |
| Current portion of long-term borrowings (Note 4(27)) | 427,277 | 456,830 |
| | <u>10,909,163</u> | <u>13,843,406</u> |

(26) Other current liabilities

| | 31 December 2020 | 31 December 2019 |
|---|--------------------|--------------------|
| Provisions expected to be settled within one year (Note 4(29)) | 343,121,509 | 234,948,279 |
| Others | 67,777,819 | 29,610,644 |
| | <u>410,899,328</u> | <u>264,558,923</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(27) Long-term borrowings

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Secured borrowings | 2,990,943 | 3,654,644 |
| Less: Current portion of long-term borrowings (Note 4(25)) | <u>(427,277)</u> | <u>(456,830)</u> |
| | <u>2,563,666</u> | <u>3,197,814</u> |

The above secured borrowings were long-term borrowings amounting to USD 458,389 secured by JMCF, borrowed from Industrial and Commercial Bank of China (“ICBC”), Nanchang Ganjiang Sub-branch with interest payable every half year and the principal was paid in instalments between 10 December 2007 and 27 October 2027. In 2020, the interest rate of long-term borrowings was 1.5% (2019: 1.5%).

| | Starting date | Maturity date | Currency | Interest rate (%) | 31 December 2020 | | 31 December 2019 | |
|-----------------------------------|------------------|-----------------|----------|-------------------|----------------------------|----------------|----------------------------|----------------|
| | | | | | Amount in foreign currency | RMB equivalent | Amount in foreign currency | RMB equivalent |
| ICBC Nanchang Ganjiang Sub-branch | 27 February 1998 | 27 October 2027 | USD | 1.5% | 458,389 | 2,990,943 | 523,873 | 3,654,644 |

(28) Lease liabilities

| | 31 December 2020 | 31 December 2019 |
|---|---------------------|---------------------|
| Lease liabilities | 29,480,838 | 35,978,828 |
| Less: Current portion of non-current liabilities (Note 4(25)) | <u>(10,481,886)</u> | <u>(13,386,576)</u> |
| | <u>18,998,952</u> | <u>22,592,252</u> |

- (a) As at December 31, 2020, the lease payment related to the lease contract that the Group has signed but has not yet begun to execute is RMB361,843,200((Note 11 (3))(December 31, 2019:Nil).

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4 Notes to the consolidated financial statements (Cont'd)

(29) Provisions

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|--|--------------------|------------------------------|------------------------------|--------------------|
| Product warranties i) | 401,635,739 | 470,211,035 | (360,227,762) | 511,619,012 |
| provision for contracts | - | 101,866,132 | (74,467,496) | 27,398,636 |
| | 401,635,739 | 572,077,167 | (434,695,258) | 539,017,648 |
| Less: Provisions expected to be settled within one year (Note 4(26)) | (234,948,279) | | | (343,121,509) |
| | <u>166,687,460</u> | | | <u>195,896,139</u> |

i) Product warranties are expenses expected to be incurred during the warranty period from free after-sales services, product warranty and other services for vehicles sold.

(30) Deferred income

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 | Reason |
|-----------------------|------------------|------------------------------|------------------------------|------------------|----------------------|
| Government grants (a) | 34,389,578 | 26,574,501 | (11,019,454) | 49,944,625 | Subsidy for projects |

(a) Government grants

| | 31 December 2019 | Increase in the current year | Decrease in the current year | | 31 December 2020 | Asset related/ Income related |
|--|-------------------|------------------------------|------------------------------|---------------------------|-------------------|----------------------------------|
| | | | Recognised in other income | Offset financial expenses | | |
| Research and development-related subsidies | 34,065,060 | 15,020,000 | (1,565,079) | - | 47,519,981 | Income related |
| Government interest subsidies | - | 11,214,500 | - | (9,454,375) | 1,760,125 | Income related |
| Others | 324,518 | 340,001 | - | - | 664,519 | Income related |
| | <u>34,389,578</u> | <u>26,574,501</u> | <u>(1,565,079)</u> | <u>(9,454,375)</u> | <u>49,944,625</u> | |

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4 Notes to the consolidated financial statements (Cont'd)

(31) Long-term employee benefits payable

| | 31 December 2020 | 31 December 2019 |
|--|--------------------|--------------------|
| Supplementary retirement benefits and early-retirement benefits eligible for recognition of provisions | 67,587,000 | 68,441,000 |
| Less: Payable within one year | <u>(4,732,000)</u> | <u>(4,756,000)</u> |
| | <u>62,855,000</u> | <u>63,685,000</u> |

The retirement and early-retirement benefits payable within one year are included in employee benefits payable(Note 4(22)(c), (d)).

For retired and early-retired employees, the Group provides them with certain amount of supplementary benefits during their retirement or early-retirement period. The amount of benefits depends on the employee's position, length of service and salary at the time of retirement or early-retirement, and is adjusted in accordance with inflation rate and other factors. The Group's obligations for supplementary retirement and early-retirement benefits as at the balance sheet date are calculated using projected unit credit method and are reviewed by an external independent actuary.

(a) Movements of retirement and early-retirement benefits of the Group are as follows:

| | Present value of the obligations of the defined benefit plan | |
|--|--|------------------|
| | 31 December 2020 | 31 December 2019 |
| Opening balance | 68,441,000 | 68,020,000 |
| Cost of defined benefit plan recognised in profit or loss for the current period | | |
| - Current service cost | 1,242,000 | 1,203,000 |
| - Past service cost | - | (1,523,000) |
| - Actuarial (gains)/losses recognised immediately | (843,000) | 1,420,000 |
| - Net interest | 2,324,000 | 2,300,000 |
| Remeasurement of net liabilities for defined benefit plan | | |
| - Actuarial losses | 485,000 | 1,623,000 |
| Other movements | | |
| - Benefits paid | (4,062,000) | (4,602,000) |
| Ending balance | 67,587,000 | 68,441,000 |

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4 Notes to the consolidated financial statements (Cont'd)

(31) Long-term employee benefits payable (Cont'd)

- (b) The actuarial assumptions used to determine the present value of defined benefit plan obligations

| | 31 December 2020 | 31 December 2019 |
|------------------------------------|------------------|------------------|
| Discount rates | 3.75% | 3.5% |
| Inflation rate | 2.00% | 2.0% |
| Salaries and benefits growth rates | 0%-6% | 0%-6% |

Future mortality assumptions were determined based on the China Life Insurance Mortality Table (2010-2013), which is publicly available statistical information for the Chinese region.

- (c) The sensitivity analysis of the actuarial assumptions used to determine the present value of defined benefit plan obligations is as follows:

| | Variation in assumptions | Effect on present value of defined benefit obligations | |
|----------------|--------------------------|--|------------------|
| | | Assumed increase | Assumed decrease |
| Discount rates | 0.5% | Decrease of 5.6% | Increase of 6.3% |
| Inflation rate | 0.5% | Increase of 2.3% | Decrease of 2.1% |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated. The projected unit credit method is also utilised in calculating the present value of the defined benefit obligations in the analysis.

- (d) Supplementary retirement and early-retirement benefits expose the Group to various risks, mainly including risk of changes in the interest rate of treasury bonds, inflation risk, etc. Decline in the interest rate of treasury bonds will lead to an increase in defined benefit plan liabilities. Supplementary retirement and early-retirement benefits obligations keep pace with inflation, and the rise in inflation will increase the defined benefit plan liabilities.

(32) Other non-current liabilities

| | 31 December 2020 | 31 December 2019 |
|---|-------------------|-------------------|
| Contract liabilities expected to be included in revenue after one year (Note 4(21)) | 99,526,464 | 61,713,791 |
| Others | - | 80,000 |
| | <u>99,526,464</u> | <u>61,793,791</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(33) Share capital

| | 31 December 2019 | Movements for the current year | | | | | 31 December 2020 |
|--|---------------------|--------------------------------|-------------|----------------------------------|-------------|-------------|---------------------|
| | | Shares newly issued | Bonus share | Transfer from capital surplus | Others | Sub-total | |
| Shares subject to trading restriction - | | | | | | | |
| Other domestic shares | | | | | | | |
| Including: Shares held by domestic non-state- owned legal persons | 749,940 | - | - | - | (4,800) | (4,800) | 745,140 |
| Shares held by domestic natural persons | 975 | - | - | - | 4,725 | 4,725 | 5,700 |
| | <u>750,915</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(75)</u> | <u>(75)</u> | <u>750,840</u> |
| Shares not subject to trading restriction - | | | | | | | |
| Ordinary shares denominated in RMB | 518,463,085 | - | - | - | 75 | 75 | 518,463,160 |
| Domestically listed foreign shares | <u>344,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>344,000,000</u> |
| | <u>862,463,085</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75</u> | <u>75</u> | <u>862,463,160</u> |
| | <u>863,214,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>863,214,000</u> |

Since the implementation of the Company's Scheme on Share Split Reform on 13 February 2006, as at 31 December 2020, there were 750,840 shares currently unavailable for trading. During the reporting period, 75 shares with trading restrictions were released from the restricted conditions on 1st January 2020 and converted to unrestricted ordinary shares denominated in RMB.

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4 Notes to the consolidated financial statements (Cont'd)

(33) Share capital (Cont'd)

| | 31 December 2018 | Movements for the current year | | | | | 31 December 2019 |
|--|---------------------|--------------------------------|-------------|----------------------------------|-----------------|-----------------|---------------------|
| | | Shares newly issued | Bonus share | Transfer from capital surplus | Others | Sub-total | |
| Shares subject to trading restriction - | | | | | | | |
| Other domestic shares | | | | | | | |
| Including: Shares held by domestic non-state- owned legal persons | 785,940 | - | - | - | (36,000) | (36,000) | 749,940 |
| Shares held by domestic natural persons | 900 | - | - | - | 75 | 75 | 975 |
| | <u>786,840</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(35,925)</u> | <u>(35,925)</u> | <u>750,915</u> |
| Shares not subject to trading restriction - | | | | | | | |
| Ordinary shares denominated in RMB | 518,427,160 | - | - | - | 35,925 | 35,925 | 518,463,085 |
| Domestically listed foreign shares | 344,000,000 | - | - | - | - | - | 344,000,000 |
| | <u>862,427,160</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,925</u> | <u>35,925</u> | <u>862,463,085</u> |
| | <u>863,214,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>863,214,000</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(34) Capital surplus

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|--------------------------|---------------------|---------------------------------|------------------------------------|---------------------|
| Share premium | 816,609,422 | - | - | 816,609,422 |
| Other capital surplus | 22,833,068 | - | - | 22,833,068 |
| | <u>839,442,490</u> | <u>-</u> | <u>-</u> | <u>839,442,490</u> |
| | 31 December 2018 | Increase in the current year | Decrease in the current year | 31 December 2019 |
| Share premium | 816,609,422 | - | - | 816,609,422 |
| Other capital surplus | 22,833,068 | - | - | 22,833,068 |
| | <u>839,442,490</u> | <u>-</u> | <u>-</u> | <u>839,442,490</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(35) Other comprehensive income

| | Other comprehensive income in the balance sheet | | | Other comprehensive income in the income statement for the year ended 31 December 2020 | | | |
|---|---|--|------------------|--|---|---------------------------|--|
| | 31 December 2019 | Attributable to the parent company after tax | 31 December 2020 | Amount incurred before income tax for the current year | Less: Transfer-out of previous other comprehensive income in the current year | Less: Income tax expenses | Attributable to the parent company after tax |
| Other comprehensive income items which will not be reclassified to profit or loss | | | | | | | |
| Actuarial gains on defined benefit plans | (11,395,500) | (363,750) | (11,759,250) | (485,000) | - | 121,250 | (363,750) |
| | | | | | | | |
| | Other comprehensive income in the balance sheet | | | Other comprehensive income in the income statement for the year ended 31 December 2019 | | | |
| | 31 December 2018 | Attributable to the parent company after tax | 31 December 2019 | Amount incurred before income tax for the current year | Less: Transfer-out of previous other comprehensive income in the current year | Less: Income tax expenses | Attributable to the parent company after tax |
| Other comprehensive income items which will not be reclassified to profit or loss | | | | | | | |
| Actuarial gains on defined benefit plans | (10,178,250) | (1,217,250) | (11,395,500) | (1,623,000) | - | 405,750 | (1,217,250) |

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4 Notes to the consolidated financial statements (Cont'd)

(36) Surplus reserve

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|------------------------------|---------------------|---------------------------------|------------------------------------|---------------------|
| Statutory surplus reserve | 431,607,000 | - | - | 431,607,000 |
| | 31 December 2018 | Increase in the current year | Decrease in the current year | 31 December 2019 |
| Statutory surplus reserve | 431,607,000 | - | - | 431,607,000 |

In accordance with the *Company Law of the People's Republic of China*, the Company's Articles of Association and the resolution of the Board of Directors, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital upon approval from the appropriate authorities. As the accumulated appropriation to the statutory surplus reserve exceeded 50% of the registered capital, no appropriation was made in the current year(2019: Nil).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to compensate for the losses incurred in prior years or increase the share capital upon approval from appropriate authorities.

(37) Retained earnings

| | 2020 | 2019 |
|---|---------------|---------------|
| Retained earnings at the beginning of the year | 8,373,695,791 | 8,260,412,273 |
| Add: Net profit attributable to shareholders of the parent company for the current year | 550,698,958 | 147,812,078 |
| Less: Ordinary share dividends payable (a) | (60,424,980) | (34,528,560) |
| Retained earnings at the end of the year | 8,863,969,769 | 8,373,695,791 |

- (a) According to the resolution of the general meeting of shareholders on June 19, 2020, the Company distributed cash dividends of RMB 0.07 per share to all shareholders, calculated on the basis of 863,214,000 issued shares, for a total of RMB60,424,980.

According to the resolution of the board of directors on March 26th, 2021, the board of directors proposed that the Company distribute cash dividends of RMB3.476 per share to all shareholders. Based on the issued shares of 863,214,000, the proposed cash dividends totalled RMB3,000,531,864.

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4 Notes to the consolidated financial statements (Cont'd)

(38) Revenue and cost of sales

| | 2020 | 2019 |
|-----------------------------------|-----------------------|-----------------------|
| Revenue from main business | 32,535,277,434 | 28,708,193,465 |
| Revenue from other business | 560,456,231 | 465,442,797 |
| | <u>33,095,733,665</u> | <u>29,173,636,262</u> |
| | 2020 | 2019 |
| Cost of sales from main business | 26,984,653,662 | 24,098,375,368 |
| Cost of sales from other business | 533,856,251 | 432,481,782 |
| | <u>27,518,509,913</u> | <u>24,530,857,150</u> |

(a) Revenue and cost of sales from main business

| | 2020 | | 2019 | |
|------------------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | Revenue from main business | Cost of sales from main business | Revenue from main business | Cost of sales from main business |
| Sales of automobiles | 30,666,834,098 | 25,638,598,860 | 26,252,631,564 | 22,303,937,803 |
| Sales of automobile parts | 1,774,007,492 | 1,250,772,343 | 2,351,979,223 | 1,696,042,274 |
| Automobile maintenance services | 94,435,844 | 95,282,459 | 103,582,678 | 98,395,291 |
| | <u>32,535,277,434</u> | <u>26,984,653,662</u> | <u>28,708,193,465</u> | <u>24,098,375,368</u> |

(b) Revenue and cost of sales from other business

| | 2020 | | 2019 | |
|--------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| | Revenue from other business | Cost of sales from other business | Revenue from other business | Cost of sales from other business |
| Sales of materials | 409,363,603 | 385,388,976 | 315,559,450 | 286,552,984 |
| Others | 151,092,628 | 148,467,275 | 149,883,347 | 145,928,798 |
| | <u>560,456,231</u> | <u>533,856,251</u> | <u>465,442,797</u> | <u>432,481,782</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(38) Revenue and cost of sales (Cont'd)

(c) The Group's revenue in 2020 was broken down as follows:

| | 2020 | | | | Total |
|---------------------------------------|-----------------------|----------------------|---------------------------------|----------------------|-----------------------|
| | Automobiles | Automobile parts | Automobile maintenance services | Materials and others | |
| Revenue from main business | 30,666,834,098 | 1,774,007,492 | 94,435,844 | - | 32,535,277,434 |
| Including: Recognised at a time point | 30,666,834,098 | 1,774,007,492 | - | - | 32,440,841,590 |
| Recognised within a certain period | - | - | 94,435,844 | - | 94,435,844 |
| Revenue from other business | - | - | - | 560,456,231 | 560,456,231 |
| | <u>30,666,834,098</u> | <u>1,774,007,492</u> | <u>94,435,844</u> | <u>560,456,231</u> | <u>33,095,733,665</u> |
| | 2019 | | | | Total |
| | Automobiles | Automobile parts | Automobile maintenance services | Materials and others | |
| Revenue from main business | 26,252,631,564 | 2,351,979,223 | 103,582,678 | - | 28,708,193,465 |
| Including: Recognised at a time point | 26,252,631,564 | 2,351,979,223 | - | - | 28,604,610,787 |
| Recognised within a certain period | - | - | 103,582,678 | - | 103,582,678 |
| Revenue from other business | - | - | - | 465,442,797 | 465,442,797 |
| | <u>26,252,631,564</u> | <u>2,351,979,223</u> | <u>103,582,678</u> | <u>465,442,797</u> | <u>29,173,636,262</u> |

(i) As at 31 December 2020, the amount of revenue corresponding to the performance obligation of the Group that has been contracted but not yet performed or not fulfilled was RMB136,685,473(31 December 2019: RMB102,109,762), which was expected to be recognised between 2021 and 2026.

(39) Taxes and surcharges

| | 2020 | 2019 |
|---------------------------------------|--------------------|--------------------|
| Consumption tax | 630,470,931 | 560,478,994 |
| City maintenance and construction tax | 88,105,730 | 71,583,303 |
| Educational surcharge | 77,624,969 | 64,649,230 |
| Land use tax | 18,174,629 | 21,290,485 |
| Real estate tax | 14,724,040 | 18,495,809 |
| Stamp tax | 8,275,503 | 7,143,285 |
| Others | 501,206 | 1,054,025 |
| | <u>837,877,008</u> | <u>744,695,131</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(40) Selling and distribution expenses

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Warranties | 470,211,035 | 383,567,832 |
| Promotion expenses | 341,416,881 | 276,225,281 |
| Advertising and new product planning fees | 246,766,019 | 404,919,782 |
| Salaries and benefits | 146,679,411 | 138,963,362 |
| Sales network construction expenses | 134,851,706 | 151,437,910 |
| Storage expenses | 37,410,599 | 19,265,911 |
| Packaging material expenses | 34,225,598 | 44,306,954 |
| Depreciation and amortisation expenses | 6,410,636 | 6,501,474 |
| Others | 126,765,143 | 100,694,688 |
| | <u>1,544,737,028</u> | <u>1,525,883,194</u> |

(41) General and administrative expenses

| | 2020 | 2019 |
|---|----------------------|--------------------|
| Salaries and benefits | 536,931,919 | 499,408,346 |
| Depreciation and amortisation expenses | 204,651,998 | 150,300,453 |
| Trademark management fees | 46,878,508 | 80,078,942 |
| Repair expenses | 30,893,355 | 32,490,413 |
| General office expenses | 20,691,777 | 20,884,776 |
| Travelling expenses | 9,287,476 | 11,352,367 |
| Others | 163,012,140 | 161,051,508 |
| | <u>1,012,347,173</u> | <u>955,566,805</u> |

(42) Research and development expenses

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Salaries and benefits | 450,728,077 | 464,331,464 |
| Design fee | 239,481,179 | 578,195,638 |
| Research and development expenses | 224,124,643 | 174,477,960 |
| Depreciation and amortisation expenses | 157,025,511 | 114,262,748 |
| Materials expenses | 91,583,428 | 136,744,959 |
| Others | 180,869,254 | 308,307,877 |
| | <u>1,343,812,092</u> | <u>1,776,320,646</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(43) Financial expenses

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Interest costs | 27,293,064 | 946,877 |
| Add: Interest expenses on lease liabilities | 1,444,481 | 1,957,078 |
| Less: Government subsidies (Note 4(30)) | (9,454,375) | - |
| Interest expenses | 19,283,170 | 2,903,955 |
| Less: Interest income from bank deposits | (207,633,739) | (193,072,270) |
| Fund occupation fee (a) | (7,628,722) | (10,877,889) |
| Interest income | (215,262,461) | (203,950,159) |
| Exchange gains or losses | (2,841,917) | 6,137,676 |
| Others | 1,253,695 | 5,401,565 |
| | <u>(197,567,513)</u> | <u>(189,506,963)</u> |

(a) The fund occupation fee is the fee paid to the Group at the rate agreed by both parties when the distributors delay payment or settle with a bill of exchange.

(44) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Changes in inventories of finished goods and work in progress | (331,803,127) | 185,845,946 |
| Consumed raw materials, low value consumables, etc. | 24,178,117,051 | 21,393,300,207 |
| Employee benefits | 2,517,567,518 | 2,333,270,205 |
| Depreciation of fixed assets | 984,968,013 | 969,478,798 |
| Amortisation of intangible assets | 128,255,625 | 90,178,977 |
| Depreciation of right-of-use assets | 14,748,075 | 12,769,701 |
| Transportation expenses | 672,534,669 | 699,932,816 |
| Warranties | 470,211,035 | 383,567,832 |
| Promotion expenses | 341,416,881 | 276,225,281 |
| Advertising and new product planning fees | 246,766,019 | 404,919,782 |
| Design fee | 239,481,179 | 578,195,638 |
| Research and development expenses | 224,124,643 | 174,477,960 |
| Fixed asset repair and maintenance expenses | 153,676,679 | 149,050,704 |
| Others | 1,579,341,946 | 1,137,413,948 |
| | <u>31,419,406,206</u> | <u>28,788,627,795</u> |

As stated in Note 2(22), the Group directly recognises the lease payments of short-term lease and low value lease into profit or loss for the current period. In 2020, the amount was RMB898,733 (2019: RMB6,092,928).

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4 Notes to the consolidated financial statements (Cont'd)

(44) Expenses by nature (Cont'd)

Due to the impact of COVID-19, the lessor exempted the Group from paying the rental of RMB442,611 for the first quarter of 2020, and the Group has deducted the above rental waivers against the rental expense for the current period.

(45) Asset impairment losses

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|--------------------|-------------------|
| Impairment of fixed assets | 487,531,202 | 21,892,635 |
| Provision for inventories | 133,257,119 | 67,040,651 |
| Intangible asset impairment loss | 38,806,961 | - |
| Development expenditure impairment | 22,289,502 | - |
| Impairment of goodwill | - | 3,462,208 |
| | <u>681,884,784</u> | <u>92,395,494</u> |

(46) Credit impairment losses

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|--------------------|
| Losses on bad debts of accounts receivable | 79,857,936 | 131,797,715 |
| Losses on bad debts of other receivables | (91,687) | (96,642) |
| | <u>79,766,249</u> | <u>131,701,073</u> |

(47) Other income

| | <u>2020</u> | <u>2019</u> | Asset related/ Income related |
|---|--------------------|--------------------|----------------------------------|
| Subsidy for operating activities | 240,480,710 | 24,677,394 | Income related |
| Research and development activities related subsidies | 27,741,579 | 222,202,940 | Income related |
| | <u>268,222,289</u> | <u>246,880,334</u> | |

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4 Notes to the consolidated financial statements (Cont'd)

(48) Investment income

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Investment income from financial assets held for trading | 77,849,662 | 47,385,707 |
| Losses on discount of financing receivables | (3,811,706) | - |
| Investment loss from forward exchange settlement | (2,421,091) | (9,087,342) |
| Investment income from long-term equity investment under equity method | (1,438,009) | 822,880 |
| | <u>70,178,856</u> | <u>39,121,245</u> |

There is no significant restriction on the remittance of investment income to the Group.

(49) Gains on changes in fair value

| | <u>2020</u> | <u>2019</u> |
|--|----------------|--------------------|
| Financial assets at fair value through profit or loss — | | |
| Structural deposits | 3,892,985 | - |
| Derivative financial assets and derivative financial liabilities - | | |
| Losses on forward exchange contracts | (3,171,095) | (1,524,631) |
| | <u>721,890</u> | <u>(1,524,631)</u> |

(50) Gains on disposal of assets

| | <u>2020</u> | <u>2019</u> | Amount recognised in non-recurring profit or loss in 2020 |
|------------------------------|------------------|------------------|---|
| Losses on disposal of assets | <u>(713,072)</u> | <u>(794,016)</u> | <u>(713,072)</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(51) Non-operating income

| | <u>2020</u> | <u>2019</u> | Amount recognised in non-recurring profit or loss in 2020 |
|------------------------------------|-------------------|--------------------|---|
| Compensation and penalty income | 2,999,142 | 2,340,262 | 2,999,142 |
| Government grants (a) | 80,000 | 219,937,800 | 80,000 |
| Others | 8,555,775 | 562,158 | 8,555,775 |
| | <u>11,634,917</u> | <u>222,840,220</u> | <u>11,634,917</u> |

(a) Details of government grants

| | <u>2020</u> | <u>2019</u> | Asset related/ Income related |
|--|---------------|--------------------|----------------------------------|
| Enterprise development support fund | - | 219,857,800 | Income related |
| Others | 80,000 | 80,000 | Income related |
| | <u>80,000</u> | <u>219,937,800</u> | |

(52) Non-operating expenses

| | <u>2020</u> | <u>2019</u> | Amount recognised in non-recurring profit or loss in 2020 |
|---|--------------------|------------------|---|
| Losses on scrapping and disposal of assets(i) | 167,067,708 | 3,418,706 | 167,067,708 |
| Donations | 5,198,781 | 2,019,093 | 5,198,781 |
| Others | 487,056 | 1,823,658 | 487,056 |
| | <u>172,753,545</u> | <u>7,261,457</u> | <u>172,753,545</u> |

(i) In 2020, due to the business restructuring plan of JMCH, the disposal losses of land and above-ground buildings amount to RMB141,186,984 was recognised in losses on scrapping and disposal of assets..

(53) Income tax expenses

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Current income tax calculated based on tax law and related regulations | 102,545,094 | 74,962,692 |
| Deferred income tax | <u>(201,585,786)</u> | <u>(117,789,343)</u> |
| | <u>(99,040,692)</u> | <u>(42,826,651)</u> |

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4 Notes to the consolidated financial statements (Cont'd)

(53) Income tax expenses (Cont'd)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

| | 2020 | 2019 |
|--|---------------|---------------|
| Total profit | 451,658,266 | 104,985,427 |
| Income tax calculated at applicable tax rates | (65,608,806) | (18,225,690) |
| Effect of change in the tax rates | (38,461,745) | 37,703,069 |
| Tax credit | (289,629) | (8,791) |
| Super deduction | (117,791,694) | (151,180,929) |
| Non-taxable income | 215,701 | (984,303) |
| Equity transactions and debt exemption between parent and subsidiary | 302,000,000 | - |
| Costs, expenses and losses not deductible for tax purposes | 51,214,472 | 588,545 |
| Utilisation of previously unrecognised deductible temporary differences | (40,487,091) | (17,341,380) |
| Deductible losses for which no deferred tax asset was recognised | - | 106,622,828 |
| Utilisation of the deductible loss of the unrecognized deferred tax asset in the previous period | (189,831,900) | - |
| Income tax expenses | (99,040,692) | (42,826,651) |

(54) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

| | 2020 | 2019 |
|---|-------------|-------------|
| Consolidated net profit attributable to ordinary shareholders of the parent company | 550,698,958 | 147,812,078 |
| Weighted average number of ordinary shares outstanding issued by the Company | 863,214,000 | 863,214,000 |
| Basic earnings per share | 0.64 | 0.17 |

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4 Notes to the consolidated financial statements (Cont'd)

(54) Earnings per share (Cont'd)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. As there were no dilutive potential ordinary shares in 2020 (2019: Nil), diluted earnings per share equalled to basic earnings per share.

(55) Notes to the cash flow statement

(a) Cash received relating to other operating activities

| | 2020 | 2019 |
|----------------------------|-------------|-------------|
| Government grants | 291,706,526 | 440,897,712 |
| Deposits for bidding | 66,942,375 | 38,137,082 |
| Input VAT refund | 39,282,451 | 19,271,589 |
| Deposits from distributors | 32,766,930 | 81,795,814 |
| Quality claims | 678,920 | 10,108,256 |
| Others | 14,418,072 | 29,065,784 |
| | 445,795,274 | 619,276,237 |

(b) Cash paid relating to other operating activities

| | 2020 | 2019 |
|-----------------------------------|---------------|---------------|
| Research and development expenses | 1,019,457,533 | 1,160,508,740 |
| Warranties | 403,917,538 | 366,721,293 |
| Advertising expenses | 309,656,829 | 306,425,361 |
| Promotion expenses | 301,960,017 | 264,854,581 |
| Maintenance expenses | 82,439,384 | 100,799,844 |
| Guarantees | 68,989,781 | 106,073,407 |
| Travel expenses | 33,806,899 | 42,890,952 |
| Others | 626,665,927 | 742,507,490 |
| | 2,846,893,908 | 3,090,781,668 |

(c) Cash received relating to other investing activities

| | 2020 | 2019 |
|--|-------------|-------------|
| Interest from cash at bank | 179,442,715 | 198,902,863 |
| Interest from acceptance notes | 5,836,694 | 6,951,334 |
| Interest from credit sales | 3,696,018 | 3,706,344 |
| Investment income from forward exchange settlement | 2,381,388 | 3,855,024 |
| | 191,356,815 | 213,415,565 |

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4 Notes to the consolidated financial statements (Cont'd)

(55) Notes to the cash flow statement (Cont'd)

(d) Cash paid relating to other financing activities

| | 2020 | 2019 |
|---------------------------------|------------|------------|
| Repayments of lease liabilities | 12,717,923 | 14,787,842 |
| Others | 33,154 | 19,043 |
| | 12,751,077 | 14,806,885 |

(56) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

| | 2020 | 2019 |
|--|-----------------|---------------|
| Net profit | 550,698,958 | 147,812,078 |
| Add: Asset impairment losses (Note 4(45)) | 681,884,784 | 92,395,494 |
| Credit impairment losses (Note 4(46)) | 79,766,249 | 131,701,073 |
| Depreciation of fixed assets (Note 4(11)) | 984,968,013 | 969,478,798 |
| Amortisation of intangible assets (Note 4(14)) | 128,255,625 | 90,178,977 |
| Depreciation of right-of-use assets (Note 4(13)) | 14,748,075 | 12,769,701 |
| Increase in provisions | 137,381,909 | 49,081,688 |
| Losses on disposal of long-term assets | 167,780,780 | 4,212,722 |
| Financial expenses | (198,304,506) | (190,393,435) |
| Investment income (Note 4(48)) | (70,178,856) | (39,121,245) |
| (Gains)/losses on changes in fair value (Note 4(49)) | (721,890) | 1,524,631 |
| Increase in deferred tax assets | (303,240,969) | (117,105,097) |
| Increase/(Decrease) in deferred tax liabilities | 101,655,183 | (684,246) |
| (Increase)/Decrease in inventories | (325,788,721) | 464,079,429 |
| (Increase)/Decrease in operating receivables | (1,117,125,510) | 225,970,753 |
| Increase in operating payables | 2,866,563,704 | 894,965,917 |
| Net cash flows from operating activities | 3,698,342,828 | 2,736,867,238 |

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4 Notes to the consolidated financial statements (Cont'd)

(56) Supplementary information to the cash flow statement (Cont'd)

(b) Net increase in cash

| | <u>2020</u> | <u>2019</u> |
|---|------------------------|------------------------|
| Cash at the end of the year | 11,121,955,129 | 8,937,936,658 |
| Less: Cash at the beginning of the year | <u>(8,937,936,658)</u> | <u>(7,616,879,976)</u> |
| Net increase in cash | <u>2,184,018,471</u> | <u>1,321,056,682</u> |

(c) Cash and cash equivalents

| | 31 December 2020 | 31 December 2019 |
|--|-----------------------|----------------------|
| Bank deposit available for payment at any time | <u>11,121,955,129</u> | <u>8,937,936,658</u> |

(57) Monetary items denominated in foreign currency

| | <u>31 December 2020</u> | | |
|-------------------------------|--|------------------------------|-------------------|
| | Amounts denominated in foreign currencies | Translation exchange rate | Amounts in RMB |
| Long-term borrowings - USD | 458,389 | 6.5249 | <u>2,990,943</u> |
| Other payables - USD | 10,871,700 | 6.5249 | 70,936,756 |
| EUR | 183,138 | 8.0250 | <u>1,469,682</u> |
| | | | <u>72,406,438</u> |

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5 Interests in other entities

(1) Interests in subsidiaries

Structure of the enterprise group

| Subsidiaries | Place of major business | Place of registration | Nature of business | Shareholding (%) | | Method of acquisition |
|--------------|-------------------------|-----------------------|--|------------------|----------|--|
| | | | | Direct | Indirect | |
| JMCS | Nanchang, Jiangxi | Nanchang, Jiangxi | Retail, wholesale and lease of automobiles | 100% | — | Set up by investment Business combinations not involving enterprises under common control |
| JMCH | Taiyuan, Shanxi | Taiyuan, Shanxi | Manufacture and sales of automobiles | 100% | — | |
| SZFJ | Shenzhen, Guangdong | Shenzhen, Guangdong | Retail, wholesale and lease of automobiles | 100% | — | Set up by investment |
| GZFJ | Guangzhou, Guangdong | Guangzhou, Guangdong | Retail, wholesale and lease of automobiles | 100% | — | Set up by investment |
| JMPC (i) | Taiyuan, Shanxi | Taiyuan, Shanxi | Manufacture and sales of engines | 100% | — | Establishment through split-off by JMCH |

(i) In 2020, according to the resolution of the Board of Directors' meeting on June 19, 2020, JMPC was established by split-off of JMCH. The Company directly holds 100% equity of JMPC and JMCH respectively after the split.

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5 Interests in other entities (Cont'd)

(2) Interests in associates

Summarised information of insignificant associates

| | 2020 | 2019 |
|--|-------------|------------|
| Aggregated carrying amount of investments | 39,496,548 | 40,934,557 |
| Aggregate of the following items in proportion | | |
| Net profit (i) | (1,438,009) | 822,880 |
| Other comprehensive income (i) | - | - |
| Total comprehensive income | (1,438,009) | 822,880 |

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Group.

6 Segment information

Revenue and profits of the Company mainly arise from production and domestic sales of automobiles, and the primary assets of the Group are all located in China. Management of the Group assesses the operating performance of the Group as a whole. Therefore, no segment report is prepared for the current year.

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7 Related parties and related party transactions

(1) Information of major shareholders

(a) General information of major shareholders

| | Type of enterprise | Place of registration | Legal representative | Nature of business | Code of organisation |
|-----------------------------|------------------------|-----------------------|------------------------|--------------------------------------|----------------------|
| JIC | State-owned enterprise | Nanchang, China | Qiu Tiangao | Investment and asset management | 91360125MA38LUR91F |
| Ford Motor Company ("Ford") | Foreign enterprise | United States | William Clay Ford, Jr. | Manufacture and sales of automobiles | N/A |

(b) Registered capital and changes in major shareholders

| | 31 December 2019 | Increase in the current year | Decrease in the current year | 31 December 2020 |
|------|------------------|------------------------------|------------------------------|------------------|
| JIC | 1,000,000,000 | - | - | 1,000,000,000 |
| Ford | USD 41,000,000 | - | - | USD 41,000,000 |

(c) The percentages of shareholding and voting rights in the Company held by major shareholders

| | 31 December 2020 | | 31 December 2019 | |
|------|------------------|-------------------|------------------|-------------------|
| | Shareholding (%) | Voting rights (%) | Shareholding (%) | Voting rights (%) |
| JIC | 41.03% | 41.03% | 41.03% | 41.03% |
| Ford | 32% | 32% | 32% | 32% |

(2) Information of subsidiaries

The general information and other related information of subsidiaries are set out in Note 5(1).

(3) Information of associates

The information of associates that have related party transactions with the Group is set out in Note 4(10).

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7 Related parties and related party transactions (Cont'd)

(4) Information of other related parties

| Related parties | Relationship with the Group |
|---|---|
| JMCG | Shareholder of JIC |
| Chongqing Changan Automobile Co., Ltd. | Shareholder of JIC |
| JMCG Jingma Motors Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Jiangxi Lingrui Recycling Resources Development Corporation | Wholly-owned subsidiary of JMCG |
| Nanchang Gear Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Jiangling Material Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Jiangxi JMCG Industry Co., Ltd. | Wholly-owned subsidiary of JMCG |
| JMCG Property Management Co. | Wholly-owned subsidiary of JMCG |
| Jiangxi Jiangling Chassis Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Nanchang JMCG Shishun Logistics Co., Ltd. | Wholly-owned subsidiary of JMCG |
| JMCF | Wholly-owned subsidiary of JMCG |
| Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Nanchang JMCG Xinchun Auto Component Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Fuzhou Shishun Logistics Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Jingdezhen Shishun Logistics Co., Ltd. | Wholly-owned subsidiary of JMCG |
| Ford Global Technologies, LLC | Wholly-owned subsidiary of Ford |
| Ford Motor (China) Co., Ltd. | Wholly-owned subsidiary of Ford |
| Ford Motor Research & Engineering (Nanjing) Co., Ltd. | Wholly-owned subsidiary of Ford |
| Ford Motor Co. Thailand Ltd. | Wholly-owned subsidiary of Ford |
| Ford Otomotiv Sanayi A.S. | Holding subsidiary of Ford |
| Auto Alliance (Thailand) Co., Ltd. | Holding subsidiary of Ford |
| Ford Vietnam Limited | Holding subsidiary of Ford |
| Changan Ford Automobile Co., Ltd. | Joint venture of Ford |
| Nanchang JMCG Frame Co., Ltd | Subsidiary under indirect control of JMCG |
| Nanchang JMCG Liancheng Auto Component Co., Ltd. | Subsidiary under indirect control of JMCG |
| Jiangling Motor Electricity Vehicle Sales Co., Ltd | Subsidiary under indirect control of JMCG |

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7 Related parties and related party transactions (Cont'd)

(4) Information of other related parties (Cont'd)

| Related parties | Relationship with the Group |
|---|---|
| Nanchang Lianda Machinery Co., Ltd. | Subsidiary under indirect control of JMCG |
| Jiangling Aowei Automobile Spare Part Co., Ltd. | Subsidiary under indirect control of JMCG |
| Jiangxi JMCG Boya brake system Co., Ltd | Subsidiary under indirect control of JMCG |
| Jiangxi JMCG Shangrao Industrial Co., Ltd. | Subsidiary under indirect control of JMCG |
| NC.Gear Forging Factory | Subsidiary under indirect control of JMCG |
| JMCG Jiangxi Engineering Construction Co., Ltd. | Subsidiary under indirect control of JMCG |
| Guizhou Wanfu Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Chongqing Anfu Vehicle Marketing Co., Ltd. | Group subsidiary of JIC's shareholder |
| Chengdu Wanxing Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Chongqing Anbo Vehicle Sales Co., Ltd. | Group subsidiary of JIC's shareholder |
| Yunan Wanfu Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Dali Wanfu Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| China Changan Group Hefei Investing Co., Ltd. | Group subsidiary of JIC's shareholder |
| Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Honghe Wanfu Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Chengdu Wanyou Vehicle Trade & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| Chongqing Wanyoulongrui Vehicle Sales & Service Co., Ltd. | Group subsidiary of JIC's shareholder |
| China Changan Group Tianjin Sales Co., Ltd. | Group subsidiary of JIC's shareholder |
| Jiangxi Jiangling Lear Interior System Co., Ltd. | Joint venture of JMCG |
| Jiangxi ISUZU Co., Ltd. | Joint venture of JMCG |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | Joint venture of JMCG |
| Nanchang Unistar Electric & Electronics Co., Ltd. | Joint venture of JMCG |
| Nanchang Yinlun Heat-exchanger Co., Ltd. | Joint venture of JMCG |
| Jiangxi ISUZU Engine Co., Ltd. | Joint venture of JMCG |

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7 Related parties and related party transactions (Cont'd)

(4) Information of other related parties (Cont'd)

| Related parties | Relationship with the Group |
|---|-----------------------------|
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | Associate of JMCG |
| Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd. | Associate of JMCG |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | Associate of JMCG |
| Jiangxi Jiangling Group Special Vehicle Co., Ltd. | Associate of JMCG |
| Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd. | Associate of JMCG |
| Nanchang Baojiang Steel Processing Distribution Co., Ltd. | Associate of JMCG |
| Magna PT Powertrain (Jiangxi) Co., Ltd.(i) | Associate of JMCG |
| Faurecia Emissions Control Technologies (Nanchang) Co., Ltd. | Associate of JMCG |
| Jiangling Motor Holdings Co., Ltd. | Associate of JMCG |
| Jiangxi Lingyun Automobile Industry Technology Co.,Ltd | Associate of JMCG |
| Nanchang Hengou Industry Co., Ltd. | Associate of JMCG |
| Jiujiang Fuwantong Vehicle Co., Ltd. | Associate of JMCG |
| Jiangxi Fuxiang Vehicle Co., Ltd. | Associate of JMCG |
| Jiangxi Jiangling Overseas Automobile Sales and Service Co., Ltd. | Associate of JMCG |
| Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd. | Associate of JMCG |
| Yichun Xinfu Vehicle Co., Ltd. | Associate of JMCG |
| Jiangxi Zhonglian Intelligent Logistics Co., Ltd. | Associate of JMCG |
| Jiangling Motor Electricity Vehicle Co., Ltd. | Associate of JMCG |

(i)In December 2020, the GETRAG (Jiangxi) Transmission Company has been renamed to Magna PT Powertrain (Jiangxi) Co., Ltd.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions

(a) Purchase and sales of goods, provision and receipt of services

Purchase of goods:

| Related parties | Nature of related party transactions | 2020 | 2019 |
|--|--------------------------------------|-------------|-------------|
| Nanchang Baojiang Steel Processing Distribution Co., Ltd. | Purchase of raw materials | 963,538,705 | 809,328,079 |
| Jiangxi Jiangling Chassis Co., Ltd. | Purchase of spare parts | 925,826,174 | 719,674,742 |
| Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | Purchase of spare parts | 880,431,974 | 712,788,695 |
| Magna PT Powertrain (Jiangxi) Co., Ltd. | Purchase of spare parts | 775,969,464 | 707,209,472 |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | Purchase of spare parts | 754,832,828 | 751,247,981 |
| Ford | Purchase of spare parts | 652,370,322 | 485,393,680 |
| Jiangxi Jiangling Lear Interior System Co., Ltd. | Purchase of spare parts | 502,651,787 | 525,146,053 |
| Faurecia Emissions Control Technologies (Nanchang) Co., Ltd. | Purchase of spare parts | 471,477,165 | 313,889,827 |
| Nanchang JMCG Liancheng Auto Component Co., Ltd. | Purchase of spare parts | 404,381,671 | 372,577,977 |
| Nanchang JMCG Shishun Logistics Co., Ltd. | Purchase of spare parts | 402,465,442 | 236,928,721 |
| Nanchang Unistar Electric & Electronics Co., Ltd. | Purchase of spare parts | 313,333,686 | 245,137,673 |
| Hanon Systems | Purchase of spare parts | 215,580,989 | 188,063,833 |
| JMCG | Purchase of spare parts | 175,089,346 | 112,288,527 |
| Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd. | Purchase of spare parts | 113,007,282 | 98,454,273 |
| Nanchang Yinlun Heat-exchanger Co., Ltd. | Purchase of spare parts | 87,043,427 | 63,096,728 |
| Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd. | Purchase of spare parts | 84,594,829 | 67,681,671 |
| Nanchang Lianda Machinery Co., Ltd. | Purchase of spare parts | 81,935,083 | 64,024,535 |
| Auto Alliance (Thailand) Co., Ltd. | Purchase of spare parts | 67,659,797 | 22,015,263 |
| Changan Ford Automobile Co., Ltd. | Purchase of spare parts | 56,465,853 | 5,574,375 |
| Jiangxi Jiangling Group Special Vehicle Co., Ltd. | Purchase of spare parts | 40,513,016 | 27,249,048 |
| Jiangling Motor Holdings Co., Ltd. | Purchase of spare parts | 40,171,568 | 46,378,913 |
| Ford Otomotiv Sanayi A.S. | Purchase of spare parts | 39,382,418 | 28,954,185 |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | Purchase of spare parts | 39,104,828 | 26,778,093 |

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Purchase of goods (Cont'd):

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|---|---------------|---------------|
| | Purchase of raw materials and spare parts | | |
| Jiangling Material Co., Ltd. | | 25,302,089 | 27,154,698 |
| Jiangling Aowei Automobile Spare Part Co., Ltd. | Purchase of spare parts | 22,474,184 | 23,172,469 |
| Jiangxi JMCG Boya brake system Co., Ltd | Purchase of spare parts | 19,296,893 | 6,005,363 |
| Jiangxi Lingyun Automobile Industry Technology Co.,Ltd | Purchase of spare parts | 17,290,556 | 13,909,931 |
| Nanchang JMCG Xinchun Auto Component Co., Ltd. | Purchase of spare parts | 16,576,226 | 16,109,044 |
| Jiangxi ISUZU Engine Co., Ltd. | Purchase of spare parts | 15,163,002 | 13,361,690 |
| Jiangxi Lingrui Recycling Resources Development Corporation | Purchase of spare parts | 10,063,375 | 8,691,693 |
| Nanchang Gear Co., Ltd. | Purchase of spare parts | 9,786,797 | 12,368,316 |
| NC.Gear Forging Factory | Purchase of spare parts | 7,485,354 | 3,295,512 |
| Ford Motor Co. Thailand Ltd. | Purchase of spare parts | 6,388,549 | - |
| Jiangxi JMCG Shangrao Industrial Co., Ltd. | Purchase of spare parts | 3,075,697 | 3,082,823 |
| Jiangxi JMCG Industry Co., Ltd. | Purchase of spare parts | 1,525,809 | 22,174,634 |
| Other related parties | Purchase of spare parts | 3,029,920 | 6,635,104 |
| | | 8,245,286,105 | 6,785,843,621 |

The products purchased by the Group from related parties are divided into two categories: purchase of imported parts and purchase of domestic parts.

- The pricing on imported parts purchased from Ford or its suppliers is based on the agreed price by both parties.
- The pricing on domestic accessories purchased from other related parties is determined through quotation, cost accounting, and negotiation between the two parties, and is adjusted regularly.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Receipt of services:

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|---|-------------|-------------|
| Nanchang JMCG Shishun Logistics Co., Ltd. | Transportation | 327,801,942 | 277,648,112 |
| JMCG Jiangxi Engineering Construction Co., Ltd. | Engineering construction | 298,581,804 | 4,682,585 |
| Ford Global Technologies, LLC | Trademark management fees/Technical development | 248,378,764 | 239,856,115 |
| Ford | Engineering service/Personnel costs | 154,911,420 | 246,385,241 |
| Changan Ford Automobile Co., Ltd. | Service fee/Labor costs, etc. | 63,254,852 | 114,468,826 |
| Ford Otomotiv Sanayi A.S. | Technical service/Technical development/Personnel costs | 44,011,234 | 73,031,829 |
| Jiangxi JMCG Industry Co., Ltd. | Dinning fee | 27,037,730 | 29,240,222 |
| Ford Motor (China) Co., Ltd. | Personnel costs | 11,859,943 | 8,271,133 |
| Ford Motor Research & Engineering (Nanjing) Co., Ltd. | Personnel costs | 10,025,252 | 7,906,061 |
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | Agent fee, etc. | 9,455,440 | 7,682,604 |
| Magna PT Powertrain (Jiangxi) Co., Ltd. | Design fee/Experimental costs | 8,721,427 | 753,315 |
| Jiangling Motor Holdings Co., Ltd. | Personnel costs | 6,847,601 | 8,247,577 |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | Promotion | 6,748,500 | 934,906 |
| Fuzhou Shishun Logistics Co., Ltd. | Truckage | 3,324,306 | - |
| Jiangxi Zhonglian Intelligent Logistics Co., Ltd. | Transportation/Rental fee, etc. | 3,078,267 | - |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | Design fee/Experimental costs | 2,425,848 | 28,000 |
| JMCG Property Management Co. | Property management, etc. | 2,280,889 | 2,413,141 |
| Jingdezhen Shishun Logistics Co., Ltd. | Transportation | 2,279,487 | - |
| Chongqing Changan Automobile Co., Ltd. | Personnel costs | 1,781,095 | - |
| Hanon Systems | Design fee/Experimental costs | 1,190,000 | 715,019 |
| Nanchang Hengou Industry Co., Ltd. | Packaging fee | 42,577 | 11,649,339 |

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Receipt of services (Cont'd):

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|--------------------------------------|----------------------|----------------------|
| Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd. | Promotion | - | 2,278,000 |
| Other related parties | | 4,297,045 | 2,735,231 |
| | | <u>1,238,335,423</u> | <u>1,038,927,256</u> |

The Group's pricing on services received from related parties is based on the agreed price by both parties.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Sales of goods

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|---|---------------|---------------|
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | Sales of automobiles and accessories | 1,503,468,690 | 1,093,233,543 |
| Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd. | Sales of automobiles | 390,031,512 | 133,143,912 |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | Sales of automobiles and accessories | 135,016,982 | 75,666,136 |
| Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | Sales of automobiles and accessories, utilities | 133,908,645 | 142,292,854 |
| Jiangxi Lingrui Recycling Resources Development Corporation | Scrapping materials and utilities | 85,072,002 | 81,514,154 |
| Jiangxi Jiangling Chassis Co., Ltd. | Sales of accessories | 68,495,760 | 51,279,717 |
| Dali Wanfu Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 49,648,874 | 50,108,591 |
| Jiangxi Jiangling Group Special Vehicle Co., Ltd. | Sales of automobiles | 41,208,636 | 60,985,118 |
| JMCG Jingma Motors Co., Ltd. | Sales of automobiles and accessories | 37,537,654 | 49,618,645 |
| Nanchang JMCG Liancheng Auto Component Co., Ltd. | Sales of accessories | 36,734,587 | 38,950,974 |
| Nanchang JMCG Shishun Logistics Co., Ltd. | Sales of automobiles and accessories | 33,591,930 | 23,967,488 |

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Sales of goods (Cont'd):

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|---|------------|------------|
| Jiujiang Fuwantong Vehicle Co., Ltd. | Sales of automobiles and accessories | 23,066,338 | 16,960,055 |
| Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 21,171,011 | 25,575,740 |
| Guizhou Wanfu Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 20,243,696 | 18,766,320 |
| China Changan Group Hefei Investing Co., Ltd. | Sales of automobiles and accessories | 14,027,598 | 24,231,901 |
| Chongqing Anbo Vehicle Sales Co., Ltd. | Sales of automobiles and accessories | 12,999,033 | 16,564,287 |
| Chongqing Anfu Vehicle Marketing Co., Ltd. | Sales of automobiles and accessories | 10,872,595 | 20,913,845 |
| Nanchang JMCG Frame Co., Ltd | Sales of accessories | 9,682,940 | 4,933,100 |
| Chengdu Wanxing Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 8,760,743 | 16,965,191 |
| Nanchang Hengou Industry Co., Ltd. | Sales of accessories | 8,496,187 | 8,983,585 |
| Yunan Wanfu Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 6,550,243 | 26,020,238 |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | Sales of accessories | 6,300,596 | 7,689,174 |
| Jiangxi Jiangling Lear Interior System Co., Ltd. | Sales of accessories | 4,819,843 | 4,275,617 |
| Jiangxi ISUZU Co., Ltd. | Sales of accessories | 4,581,683 | 1,768,033 |

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Sales of goods (Cont'd):

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|---|-----------|-----------|
| Jiangxi Fuxiang Vehicle Co., Ltd. | Sales of automobiles and accessories | 4,518,451 | 4,176,007 |
| Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 4,029,396 | 9,563,642 |
| Jiangxi Jiangling Overseas Automobile Sales and Service Co., Ltd. | Sales of automobiles and accessories | 3,451,607 | 9,234,982 |
| Jiangxi JMCG Industry Co., Ltd. | Sales of accessories, utilities and scrapping materials | 3,155,702 | 4,386,055 |
| Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd. | Sales of automobiles and accessories | 2,948,093 | 3,066,767 |
| Jingdezhen Shishun Logistics Co., Ltd. | Sales of automobiles | 2,389,380 | - |
| Honghe Wanfu Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 2,204,686 | 6,722,778 |
| JMCG Jiangxi Engineering Construction Co., Ltd. | Sales of automobiles and utilities | 1,879,341 | - |
| Nanchang Lianda Machinery Co., Ltd. | Sales of accessories | 1,748,053 | 1,428,628 |
| Chengdu Wanyou Vehicle Trade & Service Co., Ltd. | Sales of automobiles and accessories | 1,461,334 | 3,516,066 |
| Yichun Xinfu Vehicle Co., Ltd. | Sales of automobiles and accessories | 1,404,832 | 3,805,531 |
| Chongqing Wanyoulongrui Vehicle Sales & Service Co., Ltd. | Sales of automobiles and accessories | 1,052,574 | 3,228,357 |
| China Changan Group Tianjin Sales Co., Ltd. | Sales of automobiles and accessories | 221,770 | 5,758,083 |

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of services (Cont'd)

Sales of goods (Cont'd):

| | Nature of related party transactions | 2020 | 2019 |
|-----------------------|---|----------------------|----------------------|
| Related parties | | | |
| Other related parties | | 1,895,274 | 9,781,798 |
| | | <u>2,698,648,271</u> | <u>2,059,076,912</u> |

The Group's pricing on goods sold to related parties is based on the agreed price by both parties.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(b) Leases

(i) The lease income recognised in the current year with the Group as the lessor:

| Name of the lessee | Type of the leased asset | 2020 | 2019 |
|---|--------------------------|---------------|----------------|
| Jiangxi ISUZU Co., Ltd. | Buildings | 53,411 | 53,411 |
| Jiangling Material Co., Ltd. | Buildings | - | 121,101 |
| Magna PT Powertrain (Jiangxi) Co., Ltd. | Buildings | - | 7,494 |
| Jiangling Motor Holdings Co., Ltd. | Buildings | - | 3,160 |
| | | <u>53,411</u> | <u>185,166</u> |

(ii) Increase of right-of-use assets in the current year with the Group as the lessee

| Name of the lessor | Type of the leased asset | 2020 | 2019 |
|--|--------------------------|----------|------------------|
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | Buildings | - | 5,802,936 |
| JMCG | Buildings | - | 3,201,375 |
| | | <u>-</u> | <u>9,004,311</u> |

(iii) Interest expenses on lease liabilities in the current year of the Group as the lessee:

| | 2020 | 2019 |
|--|----------------|----------------|
| JMCG | 568,210 | 735,950 |
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | 50,258 | 176,730 |
| | <u>618,468</u> | <u>912,680</u> |

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(c) Guarantee received

| Guarantor | Guaranteed amount | Starting date | Ending date | Fully performed or not |
|-----------|-------------------|---------------|-----------------|------------------------|
| JMCF | 2,990,943 | 5 March 2001 | 30 October 2029 | Not fully performed |

In 2020, JMCF provided guarantees for some bank borrowings of the Group, with a maximum guarantee limit of USD 2,282,123. As at 31 December 2020, JMCF provided borrowing guarantee to the bank borrowing of USD 458,389, equivalent to RMB2,990,943 (31 December 2019: USD 523,873, equivalent to RMB3,654,644) for the Group.

(d) Transfer of assets

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|--------------------------------------|--------------|----------------|
| Jiangxi JMCG Industry Co., Ltd. | Sales of fixed assets | 1,783 | 784 |
| Nanchang JMCG Shishun Logistics Co., Ltd. | Sales of fixed assets | - | 298,982 |
| | | <u>1,783</u> | <u>299,766</u> |

The pricing on transfer of assets between the Group and related parties is based on the agreed price by both parties.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(e) Purchase of assets

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|--------------------------------------|-------------------|-------------------|
| Magna PT Powertrain (Jiangxi) Co., Ltd. | Purchase of fixed assets | 8,120,000 | - |
| Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | Purchase of fixed assets | 3,629,699 | 1,200,000 |
| Jiangling Motor Holdings Co., Ltd. | Purchase of fixed assets | 337,660 | - |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | Purchase of fixed assets | - | 28,497,200 |
| Hanon Systems | Purchase of fixed assets | - | 3,820,719 |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | Purchase of fixed assets | - | 434,726 |
| | | <u>12,087,359</u> | <u>33,952,645</u> |

The pricing on purchase of assets between the Group and related parties is based on the agreed price by both parties.

(f) Provision of technology sharing

| Related parties | Nature of related party transactions | 2020 | 2019 |
|---|--------------------------------------|--------------------|--------------------|
| Ford Motor Research & Engineering (Nanjing) Co., Ltd. | Engineering and technical service | 83,687,640 | 17,990,000 |
| Ford Vietnam Limited | Technical service | 30,623,000 | 40,034,000 |
| Ford | Technical service | 17,988,000 | 72,282,000 |
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | Technical service | 1,750,000 | - |
| | | <u>134,048,640</u> | <u>130,306,000</u> |

The Group's pricing on technology sharing provided to related parties is based on the agreed price by both parties.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(g) Purchase of fuel consumption integral acquisition

| Related party | 2020 | 2019 |
|---|-------------------|------------------|
| Jiangling Motor Electricity Vehicle Co., Ltd. | 23,304,481 | - |
| Jiangling Motor Holdings Co., Ltd. | - | 8,746,650 |
| | <u>23,304,481</u> | <u>8,746,650</u> |

The Group's pricing on fuel consumption integral purchased from related parties is based on the agreed price by both parties.

(h) Remuneration of key management

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| Remuneration of key management | <u>12,148,337</u> | <u>10,962,038</u> |

(i) Interest income

| | 2020 | 2019 |
|------|-------------------|-------------------|
| JMCF | <u>18,598,836</u> | <u>12,883,036</u> |

Bank balances of the Group deposited with JMCF was calculated based on the bank annual interest rate for RMB deposit of 0.455% to 3.30% over the same period (2019: 0.455% to 3.30%).

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties

Receivables from related parties:

| | 31 December 2020 | | 31 December 2019 | |
|---|----------------------|-------------------------|--------------------|-------------------------|
| | Amount | Provision for bad debts | Amount | Provision for bad debts |
| Accounts receivable | | | | |
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | 1,081,916,003 | (2,368,381) | 272,986,397 | (712,320) |
| Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd. | 22,613,476 | (47,488) | 19,328,984 | (9,664) |
| Ford Vietnam Limited | 19,500,000 | (97,500) | 5,980,000 | (29,900) |
| Nanchang JMCG Frame Co., Ltd | 11,499,163 | (34,497) | 5,574,403 | (16,723) |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | 9,705,710 | (20,997) | 58,148,451 | (30,290) |
| Nanchang JMCG Liancheng Auto Component Co., Ltd. | 8,906,500 | (26,720) | 12,767,031 | (38,301) |
| Ford | 6,304,000 | (31,520) | 21,554,000 | (107,770) |
| JMCG Jingma Motors Co., Ltd. | 4,953,579 | (14,861) | 5,563,310 | (16,690) |
| Jiangxi Jiangling Chassis Co., Ltd. | 4,786,897 | (14,361) | 13,054,052 | (39,162) |
| Nanchang JMCG Shishun Logistics Co., Ltd. | 4,267,697 | (12,803) | 6,279,155 | (178,666) |
| Jiangxi Jiangling Group Special Vehicle Co., Ltd. | 3,340,025 | (7,014) | - | - |
| Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | 1,539,411 | (4,618) | 2,131,677 | (6,395) |
| Jiangxi Jiangling Lear Interior System Co., Ltd. | 1,192,642 | (3,578) | 1,082,578 | (3,248) |
| Jiangxi ISUZU Co., Ltd. | 1,103,086 | (3,309) | 234,039 | (5,023) |
| Ford Motor Research & Engineering (Nanjing) Co., Ltd. | 890,400 | (4,452) | 9,529,400 | (47,647) |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | 807,199 | (2,422) | 2,128,387 | (6,385) |
| Jiangling Motor Electricity Vehicle Sales Co.,Ltd | - | - | 5,961,020 | (374,352) |
| Other related parties | 2,547,388 | (7,635) | 1,123,145 | (2,961) |
| | <u>1,185,873,176</u> | <u>(2,702,156)</u> | <u>443,426,029</u> | <u>(1,625,497)</u> |

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Receivables from related parties (Cont'd):

| | 31 December 2020 | | 31 December 2019 | |
|--|-------------------|-------------------------|-------------------|-------------------------|
| | Amount | Provision for bad debts | Amount | Provision for bad debts |
| Other receivables | | | | |
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | 35,201,661 | (105,605) | 35,208,392 | (106,725) |
| Other related parties | 6,644 | (20) | 41,481 | (125) |
| | <u>35,208,305</u> | <u>(105,625)</u> | <u>35,249,873</u> | <u>(106,850)</u> |

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Receivables from related parties (Cont'd):

| | | 31 December 2020 | 31 December 2019 |
|-------------------------|---|---------------------|---------------------|
| Advances to suppliers | Nanchang Baojiang Steel Processing Distribution Co., Ltd. | 355,529,951 | 492,604,607 |
| Financing receivables | Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | - | 32,000,000 |
| | JMCG Jingma Motors Co., Ltd. | 5,172,364 | 17,148,451 |
| | | <u>5,172,364</u> | <u>49,148,451</u> |
| Prepayment for projects | Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | 1,239,661 | - |
| Bank balances | JMCF | 1,231,825,734 | 967,750,294 |

Payables to related parties:

| | | 31 December 2020 | 31 December 2019 |
|------------------|--|---------------------|---------------------|
| Accounts payable | Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | 600,620,464 | 468,877,821 |
| | Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | 450,355,413 | 269,635,441 |
| | Jiangxi Jiangling Chassis Co., Ltd. | 381,961,882 | 247,903,618 |
| | Magna PT Powertrain (Jiangxi) Co., Ltd. | 257,203,673 | 241,934,120 |
| | Jiangxi Jiangling Lear Interior System Co., Ltd. | 244,023,570 | 275,328,167 |
| | Nanchang JMCG Liancheng Auto Component Co., Ltd. | 177,586,249 | 133,716,243 |
| | Ford | 165,212,418 | 145,686,393 |
| | Faurecia Emissions Control Technologies (Nanchang) Co., Ltd. | 140,584,875 | 127,516,031 |
| | Hanon Systems | 119,546,495 | 86,208,726 |
| | Nanchang JMCG Shishun Logistics Co., Ltd. | 112,968,126 | 135,343,920 |
| | JMCG | 108,139,686 | 41,122,001 |
| | Nanchang Unistar Electric & Electronics Co., Ltd. | 107,067,804 | 81,834,768 |
| | Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd. | 84,273,999 | 38,644,169 |
| | Jiangxi JMCG Specialty Vehicles Co., Ltd. | 44,095,229 | 20,671,039 |
| | Nanchang Yinlun Heat-exchanger Co., Ltd. | 39,863,083 | 23,001,840 |

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[English translation for reference only]**7 Related parties and related party transactions (Cont'd)****(6) Receivables from and payables to related parties (Cont'd)**

Payables to related parties (Cont'd):

| | | 31 December 2020 | 31 December 2019 |
|------------------|---|----------------------|----------------------|
| Accounts payable | Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd. | 33,997,041 | 22,458,920 |
| | Nanchang Lianda Machinery Co., Ltd. | 31,713,777 | 20,459,811 |
| | Jiangxi Jiangling Group Special Vehicle Co., Ltd. | 17,656,588 | 8,983,517 |
| | Jiangling Motor Holdings Co., Ltd. | 11,635,750 | 23,805,405 |
| | Jiangling Aowei Automobile Spare Part Co., Ltd. | 11,243,037 | 14,676,461 |
| | Jiangxi JMCG Boya brake system Co., Ltd | 8,797,919 | 2,917,900 |
| | Changan Ford Automobile Co., Ltd. | 7,408,214 | 57,562,568 |
| | Nanchang JMCG Xincheng Auto Component Co., Ltd. | 5,721,038 | 3,207,475 |
| | Jiangxi Lingyun Automobile Industry Technology Co.,Ltd | 5,184,778 | 5,019,020 |
| | Jiangxi Lingrui Recycling Resources Development Corporation | 4,814,171 | 5,037,812 |
| | Ford Otomotiv Sanayi A.S. | 4,727,288 | 5,715,771 |
| | Auto Alliance (Thailand) Co., Ltd. | 4,294,750 | 797,030 |
| | Nanchang Gear Co., Ltd. | 3,414,942 | 2,600,649 |
| | Jiangling Material Co., Ltd. | 1,955,537 | 1,505,272 |
| | Jiangxi JMCG Shangrao Industrial Co., Ltd. | 1,144,320 | 1,139,163 |
| | Jiangxi JMCG Industry Co., Ltd. | 1,044,850 | 9,408,467 |
| | Jiangxi ISUZU Engine Co., Ltd. | 441,696 | 5,957,636 |
| | Other related parties | 1,931,558 | 1,994,249 |
| | | <u>3,190,630,220</u> | <u>2,530,671,423</u> |

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

| | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|
| Other payables | | |
| Ford | 48,814,942 | 188,389,590 |
| Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd. | 23,287,853 | 25,676,673 |
| Changan Ford Automobile Co., Ltd. | 18,503,441 | 26,537,316 |
| Ford Global Technologies, LLC | 18,050,765 | 67,275,297 |
| Magna PT Powertrain (Jiangxi) Co., Ltd. | 13,139,275 | 13,132,392 |
| Jiangxi Jiangling Group Special Vehicle Co., Ltd. | 10,269,987 | 6,983,776 |
| Nanchang JMCG Shishun Logistics Co., Ltd. | 8,370,326 | 6,916,458 |
| JMCG Jiangxi Engineering Construction Co., Ltd. | 7,117,653 | 10,407,756 |
| Ford Otomotiv Sanayi A.S. | 5,265,976 | 47,911,656 |
| Jiangxi JMCG Industry Co., Ltd. | 3,726,567 | 2,502,826 |
| Jiangxi JMCG Specialty Vehicles Co., Ltd. | 3,682,741 | 817,923 |
| Faurecia Emissions Control Technologies (Nanchang) Co., Ltd. | 3,285,350 | 7,616,969 |
| Ford Motor (China) Co., Ltd. | 2,570,952 | 3,325,531 |
| Nanchang Jiangling HuaXiang Auto Components Co., Ltd. | 2,481,859 | 22,080,240 |
| JMCG | 2,313,728 | - |
| Nanchang Baojiang Steel Processing Distribution Co., Ltd. | 1,944,877 | 2,087,023 |
| Chongqing Changan Automobile Co., Ltd. | 1,781,095 | - |
| Jiangxi Jiangling Special Purpose Vehicle Co., Ltd. | 1,588,791 | 4,064,490 |
| Jiangling Motor Holdings Co., Ltd. | 1,480,192 | - |
| Hanon Systems | 1,475,000 | 4,362,412 |
| Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | 1,456,956 | 1,779,455 |
| Ford Motor Research & Engineering (Nanjing) Co., Ltd. | 1,345,255 | 2,518,692 |
| Jiangxi Jiangling Lear Interior System Co., Ltd. | 1,207,000 | 1,207,000 |
| Nanchang Unistar Electric & Electronics Co., Ltd. | 800,915 | 1,326,940 |
| Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd. | 181,739 | 1,061,739 |
| Other related parties | 4,617,673 | 1,777,882 |
| | <u>188,760,908</u> | <u>449,760,036</u> |

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

| | | 31 December 2020 | 31 December 2019 |
|----------------------|---|---------------------|---------------------|
| Contract liabilities | Jiangxi Jiangling Group Special Vehicle Co., Ltd. | - | 2,681,847 |
| | Yunan Wanfu Vehicle Sales & Service Co., Ltd. | - | 1,213,244 |
| | Other related parties | <u>2,191,137</u> | <u>918,571</u> |
| | | <u>2,191,137</u> | <u>4,813,662</u> |
| Lease liabilities | JMCG | 9,033,918 | 12,672,782 |
| | Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. | - | 2,343,048 |
| | | <u>9,033,918</u> | <u>15,015,830</u> |

(7) Commitments in relation to related parties

| | 31 December 2020 | 31 December 2019 |
|---|--------------------|-------------------|
| Capital commitments | | |
| JMCG Jiangxi Engineering Construction Co., Ltd. | <u>377,223,784</u> | <u>23,174,665</u> |

Guarantee of commitments in relation to related parties is set out in Note 7(5)(c).

8 Contingencies

As at 31 December 2020, the Group had no contingencies that needed to be accounted for in the notes to the financial statements.

9 Commitments

Capital expenditure commitments

Capital expenditures contracted by the Group but are not yet necessary to be presented on the balance sheet as at the balance sheet date are as follows:

| | 31 December 2020 | 31 December 2019 |
|------------------------------------|----------------------|--------------------|
| Buildings, machinery and equipment | <u>1,127,750,000</u> | <u>701,817,000</u> |

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10 Events after the balance sheet date

(1) Disposal of equity in subsidiary

The Board of Directors meeting held on October 8, 2020 approved the disposal of 60% of the wholly-owned subsidiary JMPC at no less than RMB359,975,079 through the public listing of the Shanghai United Assets and Equity Exchange. During the public listing period, the Company received an intention from a transferee named Yunnan Yunnei Power Group Co., Ltd. (hereinafter referred to as "Yunnei Group"). Yunnei Group intended to purchase the 60% equity of JMPC at RMB360,000,000. In January 2021, The Company and Yunnei Group signed the equity transaction contract in accordance with the relevant trading rules of the Shanghai United Property Rights Exchange.

(2) Statement of profit distribution

According to the resolution of the board of directors on March 26th, 2021, the board of directors proposed that the Company distribute cash dividends of RMB3.476 per share to all shareholders. Based on the issued shares of 863,214,000, the proposed cash dividends totalled RMB3,000,531,864.

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11 Financial instrument and risk

The Group's activities expose it to a variety of financial risks, which mainly comprise market risk (primarily including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies, and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify the risks such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's operating activities to determine whether to update the risk management policies or not. The Group's risk management is carried out under policies approved by the Board of Directors. The business departments of the Group work closely to identify and evaluate related risks, and determine countermeasures with management to avoid or reduce the adverse impact of the related risks on the Company. The internal audit department of the Group conducts periodical audit to the controls and procedures for risk management and reports the audit results to the Risk Management Committee of the Group.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to USD. The Group monitors the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group signed forward exchange contracts to mitigate the foreign exchange risk (Note 4(18)).

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Company and the subsidiaries of the Group, whose recording currencies were RMB, were expressed in RMB as at 31 December 2020 and 31 December 2019 as follows:

| | 31 December 2020 | | |
|---|-------------------|------------------|-------------------|
| | USD | EUR | Total |
| Financial liabilities denominated in foreign currency - | | | |
| Derivative financial liabilities | 3,716,727 | - | 3,716,727 |
| Current portion of long-term borrowings | 427,277 | - | 427,277 |
| Long-term borrowings | 2,563,666 | - | 2,563,666 |
| Other payables | 70,936,756 | 1,469,682 | 72,406,438 |
| | <u>77,644,426</u> | <u>1,469,682</u> | <u>79,114,108</u> |

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11 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

| | 31 December 2019 | | | |
|---|--------------------|-------------------|------------------|--------------------|
| | USD | EUR | Others | Total |
| Financial assets denominated in foreign currency - | | | | |
| Other receivables | - | 29,722 | - | 29,722 |
| Financial liabilities denominated in foreign currency - | | | | |
| Derivative financial liabilities | 545,632 | - | - | 545,632 |
| Current portion of long-term borrowings | 456,830 | - | - | 456,830 |
| Long-term borrowings | 3,197,814 | - | - | 3,197,814 |
| Other payables | 260,962,447 | 42,659,103 | 5,574,005 | 309,195,555 |
| | <u>265,162,723</u> | <u>42,659,103</u> | <u>5,574,005</u> | <u>313,395,831</u> |

As at 31 December 2020, if the RMB had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit would have been approximately RMB6,599,776 (31 December 2019: approximately RMB22,553,091) higher/lower for the financial assets and liabilities dominated in foreign currencies whose recording currency is RMB; if the RMB had strengthened/weakened by 10% against the EUR while all other variables had been held constant, the Group's net profit would have been approximately RMB142,961 higher/lower (31 December 2019: approximately RMB4,000,039).

(b) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing debts such as short-term loans and long-term bank loans. The financial liabilities of floating interest rate expose the Group to cash flow interest rate risk, and the financial liabilities of fixed interest rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market environment. As of December 31, 2020, the Group's short-term borrowings of RMB500,000,000 (December 31, 2019: Nil) are fixed-rate borrowings, and long-term borrowings of USD 458,389 (December 31, 2019: USD 523,873) are fixed-rate borrowings, therefor no significant cash flow interest rate risk.

As at 31 December 2020 and 31 December 2019, no significant difference between the fair value and the carrying amount of the Group's borrowings with fixed-rate.

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11 Financial instrument and risk (Cont'd)

(2) Credit risk

The Group's credit risk mainly arises from cash and cash equivalent, notes receivable, accounts receivable, financial assets held for trading, other receivables and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. The carrying amount of the Group's financial assets reflects its maximum credit exposure on the balance sheet date.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other medium or large size listed banks with good reputation and high credit rating. The Group does not expect that there will be significant losses from non-performance by these banks.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, financing receivables and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 31 December 2020, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2019: Nil).

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group. The Group monitors rolling forecasts of its short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

On the balance sheet date, the undiscounted contractual cash flows of various financial liabilities of the Group are listed as follows based on the maturity date:

| | 31 December 2020 | | | | Total |
|----------------------------------|-----------------------|-------------------|-------------------|----------------|-----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| short-term borrowing | | | | | |
| —principal | 500,000,000 | - | - | - | 500,000,000 |
| —interest | 2,173,333 | - | - | - | 2,173,333 |
| Derivative financial liabilities | 3,716,727 | - | - | - | 3,716,727 |
| Accounts payable | 10,026,215,877 | - | - | - | 10,026,215,877 |
| Other payables | 4,153,849,625 | - | - | - | 4,153,849,625 |
| Lease liabilities | 11,683,625 | 11,419,366 | 8,646,930 | - | 31,749,921 |
| Long-term borrowings | | | | | |
| - Principal | 427,277 | 427,277 | 1,281,833 | 854,556 | 2,990,943 |
| - Interest | 43,262 | 36,853 | 72,103 | 16,023 | 168,241 |
| | <u>14,698,109,726</u> | <u>11,883,496</u> | <u>10,000,866</u> | <u>870,579</u> | <u>14,720,864,667</u> |

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11 Financial instrument and risk (Cont'd)

(3) Liquidity risk (Cont'd)

| | 31 December 2019 | | | | Total |
|----------------------------------|-----------------------|------------------|-------------------|------------------|-----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| Derivative financial liabilities | 545,632 | - | - | - | 545,632 |
| Notes payable | 31,400,000 | - | - | - | 31,400,000 |
| Accounts payable | 8,116,169,589 | - | - | - | 8,116,169,589 |
| Other payables | 4,145,266,838 | - | - | - | 4,145,266,838 |
| Lease liabilities | 14,831,057 | 7,947,675 | 16,594,605 | - | 39,373,337 |
| Long-term borrowings | | | | | |
| - Principal | 456,830 | 456,830 | 1,370,492 | 1,370,492 | 3,654,644 |
| - Interest | 53,107 | 46,254 | 97,648 | 35,975 | 232,984 |
| | <u>12,308,723,053</u> | <u>8,450,759</u> | <u>18,062,745</u> | <u>1,406,467</u> | <u>12,336,643,024</u> |

- (i) As at December 31, 2020, the lease payment related to the lease contract that the Group has signed but has not yet begun to execute as follows(Note 4(28)(a))(December 31, 2019: Nil):

| | 31 December 2020 | | | | Total |
|---|-------------------|-------------------|--------------------|-------------------|--------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| Future contractual cash flows not included in lease liabilities | <u>36,184,320</u> | <u>72,368,640</u> | <u>217,105,920</u> | <u>36,184,320</u> | <u>361,843,200</u> |

12 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

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12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2020, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|----------|----------------------|----------------------|
| Financial assets - Financial assets held for trading- | | | | |
| Structured deposits | - | - | 803,892,985 | 803,892,985 |
| Financial assets - Financing receivables- | | | | |
| Notes receivables | - | - | 815,583,669 | 815,583,669 |
| | <u>-</u> | <u>-</u> | <u>1,619,476,654</u> | <u>1,619,476,654</u> |

As at 31 December 2020, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------|------------------|----------|------------------|
| Financial assets - Derivative financial liabilities- | | | | |
| Forward foreign exchange contract | - | 3,716,727 | - | 3,716,727 |
| | <u>-</u> | <u>3,716,727</u> | <u>-</u> | <u>3,716,727</u> |

As at 31 December 2019, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|----------|--------------------|--------------------|
| Financial assets - Financing receivables | | | | |
| Notes receivables | - | - | 289,044,373 | 289,044,373 |
| | <u>-</u> | <u>-</u> | <u>289,044,373</u> | <u>289,044,373</u> |

As at 31 December 2019, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below:

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|----------------|----------|----------------|
| Financial assets - Derivative financial liabilities | | | | |
| Forward foreign exchange contract | - | 545,632 | - | 545,632 |
| | <u>-</u> | <u>545,632</u> | <u>-</u> | <u>545,632</u> |

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12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, etc.

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12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 financial assets are analysed below:

| | 31 December 2019 | Increase | Decrease | 31 December 2020 | Gains recognised in profit or loss (a) | Changes in unrealised gains or losses included in profit or loss in 2020 with respect to assets still held as at 31 December 2020 - gains or losses on changes in fair value |
|-------------------------------------|--------------------|-----------------------|-------------------------|----------------------|--|--|
| Financial assets | | | | | | |
| Financial assets held for trading - | | | | | | |
| Monetary fund | - | 500,000,000 | (500,000,000) | - | 244,059 | - |
| Structural deposits | - | 15,610,892,985 | (14,807,000,000) | 803,892,985 | 77,605,603 | 3,892,985 |
| Financing receivables - | | | | | | |
| Notes receivable | <u>289,044,373</u> | <u>2,325,165,208</u> | <u>(1,798,625,912)</u> | <u>815,583,669</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>289,044,373</u> | <u>18,436,058,193</u> | <u>(17,105,625,912)</u> | <u>1,619,476,654</u> | <u>77,849,662</u> | <u>3,892,985</u> |

(a) Gains recognised in profit or loss is recognised in investment income in the income statement.

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12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 financial assets are analysed below (Cont'd):

| | 31 December 2018 | Increase | Decrease | 31 December 2019 | Gains recognised in profit or loss (a) | Changes in unrealised gains or losses included in profit or loss in 2019 with respect to assets still held as at 31 December 2019 - gains or losses on changes in fair value |
|-------------------------------------|------------------|-----------------------|-------------------------|--------------------|--|--|
| Financial assets | | | | | | |
| Financial assets held for trading - | | | | | | |
| Monetary fund | - | 3,300,000,000 | (3,300,000,000) | - | 5,739,140 | - |
| Structural deposits | - | 5,900,000,000 | (5,900,000,000) | - | 41,646,567 | - |
| Financing receivables - | | | | | | |
| Notes receivable | <u>6,246,244</u> | <u>1,654,757,442</u> | <u>(1,371,959,313)</u> | <u>289,044,373</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>6,246,244</u> | <u>10,854,757,442</u> | <u>(10,571,959,313)</u> | <u>289,044,373</u> | <u>47,385,707</u> | <u>-</u> |

(a) Gains recognised in profit or loss is recognised in investment income in the income statement.

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12 Fair value estimates (Cont'd)

- (2) Assets measured at fair value on a non-recurring basis

As at 31 December 2020 and 31 December 2019, the Group did not have assets measured at fair value on a non-recurring basis.

- (3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The Group's financial assets and liabilities measured at amortised cost mainly comprise notes receivable, accounts receivable, other receivables, short-term borrowing, account payables, long-term borrowings, etc.

The carrying amount of the Group's financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

13 Capital management

The Group's capital management policies aim 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, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as "shareholders equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of equity ratio.

As at 31 December 2020 and 31 December 2019, the Group's equity ratio was as follows:

| | 31 December 2020 | 31 December 2019 |
|------------------|------------------|------------------|
| Total borrowings | 502,990,943 | 3,654,644 |
| Total equities | 10,986,474,009 | 10,496,563,781 |
| Equity ratio | <u>4.58%</u> | <u>0.03%</u> |

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14 Notes to the Company's financial statements

(1) Accounts receivable

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|----------------------|--------------------|
| Accounts receivable | 3,502,761,954 | 980,998,110 |
| Less: Provision for bad debts | (171,881,303) | (115,069,813) |
| | <u>3,330,880,651</u> | <u>865,928,297</u> |

(a) The ageing of accounts receivable is analysed as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------|----------------------|--------------------|
| Within 1 year | 3,043,074,741 | 489,899,574 |
| 1 to 2 years | 5,223,812 | 490,230,937 |
| 2 to 3 years | 454,463,401 | 867,599 |
| | <u>3,502,761,954</u> | <u>980,998,110</u> |

(b) As at 31 December 2020, the five largest accounts receivable aggregated by debtor were analysed as follows:

| | Balance | Amount of provision for bad debts | % of total balance |
|-----------|----------------------|---|-----------------------|
| Company 1 | 1,605,066,624 | - | 45.82% |
| Company 2 | 1,078,630,906 | (2,355,387) | 30.79% |
| Company 3 | 167,353,472 | - | 4.78% |
| Company 4 | 74,480,000 | (74,480,000) | 2.13% |
| Company 5 | 46,649,000 | (97,963) | 1.33% |
| | <u>2,972,180,002</u> | <u>(76,933,350)</u> | <u>84.85%</u> |

(c) Provision for bad debts

For accounts receivable, irrespective of whether a significant financing component exists, the Company measures the loss provision according to the lifetime expected credit losses.

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14 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) Accounts receivable for which provision for bad debts is made on the individual basis are analysed as follows:

| | 31 December 2020 | | |
|--|----------------------|-------------------------|-------------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Provision for bad debts |
| Receivables from related parties within the Group i) | 1,775,196,875 | - | - |
| New energy subsidies receivable ii) | 84,903,126 | 100% | (84,903,126) |
| Accounts receivable for automobiles iii) | 74,480,000 | 100% | (74,480,000) |
| | <u>1,934,580,001</u> | | <u>(159,383,126)</u> |
| | 31 December 2019 | | |
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Provision for bad debts |
| Receivables from related parties within the Group i) | 179,138,311 | - | - |
| New energy subsidies receivable ii) | 20,410,500 | 100% | (20,410,500) |
| Accounts receivable for automobiles iii) | 81,020,000 | 100% | (81,020,000) |
| | <u>280,568,811</u> | | <u>(101,430,500)</u> |

i) As at 31 December 2020, the Company's accounts receivable due from subsidiaries JMCS, SZFJ and GZFJ were RMB1,605,066,624, RMB167,353,472 and RMB2,776,779 respectively, totalling to RMB1,775,196,875. The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on receivables from subsidiaries, and there is no overdue or impairment.

As at 31 December 2019, the Company's accounts receivable from subsidiaries JMCH and SZFJ were RMB10,847,413 and RMB168,290,898 respectively, totalling to RMB179,138,311. The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on receivables from subsidiaries, and there is no overdue or impairment.

ii) As at 31 December 2020, state subsidies for new energy automobiles receivable amounted to RMB84,903,126 (31 December 2019: RMB20,410,500). As the corresponding new energy vehicles may not meet the corresponding subsidy policy standards, the Company considered the receivables cannot be collected, therefore, full provision was made for those receivables.

iii) As at 31 December 2020 and 31 December 2019, since these companies in debts were involved in several legal proceedings, the Company considered that it was difficult to recover such receivables, therefore, full provision was made for those receivables.

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14 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows:

Grouping - Sales of general automobiles:

| | 31 December 2020 | | |
|---------------------------|----------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 1,096,348,057 | 0.21% | (2,303,427) |
| Overdue for 1 to 30 days | 70,701,614 | 0.21% | (148,544) |
| Overdue for 31 to 60 days | 345,798 | 6.35% | (21,961) |
| | <u>1,167,395,469</u> | | <u>(2,473,932)</u> |

Grouping - Sales of general automobiles:

| | 31 December 2019 | | |
|-------------|-------------------|-------------------------|-----------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | <u>52,890,945</u> | 0.05% | <u>(25,599)</u> |

Grouping - Sales of new energy automobiles:

| | 31 December 2020 | | |
|---------------------------|--------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 138,042,462 | 4.94% | (6,826,200) |
| Overdue for 1 to 30 days | - | — | - |
| Overdue for 31 to 60 days | 23,243,550 | 10.25% | (2,381,426) |
| | <u>161,286,012</u> | | <u>(9,207,626)</u> |

| | 31 December 2019 | | |
|-------------|--------------------|-------------------------|---------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | <u>252,014,858</u> | 4.86% | <u>(12,256,229)</u> |

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(All amounts in RMB Yuan unless otherwise stated)
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14 Notes to the Company's financial statements (Cont'd)

- (1) Accounts receivable (Cont'd)
- (c) Provision for bad debts (Cont'd)
- (ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - spare parts:

| | 31 December 2020 | | |
|---------------------------|--------------------|-------------------------|------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 206,087,099 | 0.30% | (618,261) |
| Overdue for 1 to 30 days | 19,968,933 | 0.30% | (59,907) |
| Overdue for 31 to 60 days | 10,595,310 | 0.50% | (52,977) |
| Overdue for 61 to 90 days | 1,295,045 | 0.60% | (7,770) |
| Overdue over 90 days | 1,554,085 | 5.00% | (77,704) |
| | <u>239,500,472</u> | | <u>(816,619)</u> |

| | 31 December 2019 | | |
|---------------------------|--------------------|-------------------------|--------------------|
| | Book balance | Provision for bad debts | |
| | Amount | Lifetime ECL (%) | Amount |
| Not overdue | 357,250,172 | 0.30% | (1,071,751) |
| Overdue for 1 to 30 days | 28,373,832 | 0.30% | (85,122) |
| Overdue for 31 to 60 days | 3,849,541 | 0.50% | (19,248) |
| Overdue for 61 to 90 days | 2,752,993 | 0.60% | (16,518) |
| Overdue over 90 days | 3,296,958 | 5.00% | (164,846) |
| | <u>395,523,496</u> | | <u>(1,357,485)</u> |

- (iii) The provision for bad debts in the current year amounted to RMB63,351,490, of which RMB6,540,000 was reversed. The book balance was RMB6,540,000. The significant amounts reversed were as follows:

| | Reasons for reversal/recovery | Basis and justification for determining the provision for bad debts | Amount of reversal | Reasons for reversal/recovery |
|-----------------------|---|---|--------------------|-------------------------------|
| Accounts receivable 1 | The actual receipt of account receivables relating to the provision for bad debts made in the prior period. | The aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, so the Group considered that it was difficult to recover such receivables, so related provision for bad debts was made in full amount. | <u>6,540,000</u> | Received |

- (d) In 2020, no accounts receivable had been written off.
- (e) As at 31 December 2020 and 31 December 2019, the Company did not have accounts receivable that were pledged.

JIANGLING MOTORS CORPORATION, LTD.

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables

| | 31 December 2020 | 31 December 2019 |
|---|----------------------|----------------------|
| Receivables from JMCH | 1,247,724,942 | 3,023,189,184 |
| Interest receivable from cash at bank | 49,458,968 | 30,719,215 |
| Import working capital advances | 35,000,000 | 35,000,000 |
| Deposits receivable | 7,072,745 | 7,192,773 |
| Advances for research and development projects | 4,559,669 | 2,109,522 |
| Cash advance | 680,403 | 959,945 |
| Others | 15,599,236 | 19,385,731 |
| | <u>1,360,095,963</u> | <u>3,118,556,370</u> |
| Less: Provision for bad debts | <u>(188,740)</u> | <u>(238,665)</u> |
| | <u>1,359,907,223</u> | <u>3,118,317,705</u> |

(a) The ageing of other receivables is analysed as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------|----------------------|----------------------|
| Within 1 year | 1,359,304,567 | 3,043,832,479 |
| Over 1 year | 791,396 | 74,723,891 |
| | <u>1,360,095,963</u> | <u>3,118,556,370</u> |

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements

| | Stage 1 | | | Stage 3 | | | Total | |
|--|-------------------------|-------------------------|---------------------------|-------------------------|-------------------------|--------------------------------|----------|-------------------------|
| | 12-month ECL (grouping) | | 12-month ECL (individual) | | Sub-total | Lifetime ECL (credit impaired) | | |
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts | Provision for bad debts | Book balance | | Provision for bad debts |
| 31 December 2019 | 94,158,526 | (190,319) | 3,023,189,184 | - | (190,319) | 1,208,660 | (48,346) | (238,665) |
| Balance increase/(decrease) in the current year | 18,212,495 | — | (1,775,464,242) | — | — | (1,208,660) | — | — |
| Newly Reversed provision for bad debts in the current year | — | 1,579 | — | - | 1,579 | — | 48,346 | 49,925 |
| provision for bad debts written-off in the current year | — | - | — | - | - | — | - | - |
| 31 December 2020 | 112,371,021 | (188,740) | 1,247,724,942 | - | (188,740) | - | - | (188,740) |

As at 31 December 2020, the Group had no other receivables transferred from Stage 1 to Stage 3, and no other receivables reversed from Stage 3 to Stage 1.

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd)

As at 31 December 2020 and 31 December 2019, the Company did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 were analysed below:

(i) As at 31 December 2020 and 31 December 2019, provision for bad debts of other receivables on the individual basis was analysed as follows:

| | | 31 December 2020 | | |
|-----------------------|----------------------|---------------------|----------------------------|--------|
| Stage 1 | Book balance | 12-month ECL (%) | Provision for bad debts | Reason |
| Receivables from JMCH | <u>1,247,724,942</u> | - | <u>-</u> | i) |
| | | 31 December 2019 | | |
| Stage 1 | Book balance | 12-month ECL (%) | Provision for bad debts | Reason |
| Receivables from JMCH | <u>3,023,189,184</u> | - | <u>-</u> | i) |

i) As at 31 December 2020, the Company's other receivables from subsidiary JMCH were RMB1,247,724,942 (31 December 2019: RMB3,023,189,184). The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on receivables from subsidiaries, and there is no overdue or impairment.

JIANGLING MOTORS CORPORATION, LTD.

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd)

(ii) As at 31 December 2020 and 31 December 2019, the Company's other receivables with provision for bad debts on the grouping basis were analysed below:

Other receivables with provision on the grouping basis at Stage 1:

| | 31 December 2020 | | | 31 December 2019 | | |
|---|--------------------|----------------------|------------------|-------------------|----------------------|------------------|
| | Book balance | Provision for losses | | Book balance | Provision for losses | |
| | Amount | Provision ratio | Amount | Amount | Provision ratio | Amount |
| Grouping of interest receivable from cash at bank i): | | | | | | |
| Within 1 year | 49,458,968 | - | - | 30,719,215 | - | - |
| Grouping of operating advances and guarantees: | | | | | | |
| Within 1 year | 62,120,657 | 0.30% | (186,365) | 63,439,311 | 0.30% | (190,319) |
| Over 1 year | 791,396 | 0.30% | (2,375) | - | - | - |
| | <u>112,371,021</u> | | <u>(188,740)</u> | <u>94,158,526</u> | | <u>(190,319)</u> |

As at 31 December 2020 and 31 December 2019, the Company's interest receivable from cash at bank mainly came from four major state-owned banks or national joint-stock banks. Therefore, the Company expected there was no significant loss on related interest receivable from non-performance by these banks.

As at December 31, 2020, the Company has no other receivables in the second stage.

Other receivables with provision on the grouping basis at Stage 3:

| | 31 December 2020 | | | 31 December 2019 | | |
|--|------------------|----------------------|--------|------------------|----------------------|----------|
| | Book balance | Provision for losses | | Book balance | Provision for losses | |
| | Amount | Provision ratio | Amount | Amount | Provision ratio | Amount |
| Grouping of operating advances and guarantees: | | | | | | |
| Over 1 year | - | - | - | 1,208,660 | 4.00% | (48,346) |

JIANGLING MOTORS CORPORATION, LTD.

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(c) In 2020, the provision for bad debts reversed amounted to RMB49,925 and the book balance was RMB1,734,971. The reversal in the current period was due to the actual receipt of other receivables relating to the provision for bad debts made in the prior period.

(d) In 2020, no other receivables had been written off.

(e) As at 31 December 2020, the five largest other receivables aggregated by debtor were analysed as follows:

| | Nature | Balance | Ageing | % of total balance | Provision for bad debts |
|-----------|--------------------|----------------------|---------------|--------------------|-------------------------|
| Company 1 | Loan to subsidiary | 1,247,724,942 | Within 1 year | 91.74% | - |
| Company 2 | Advances | 35,201,661 | Within 1 year | 2.59% | 105,605 |
| Company 3 | Advances | 4,480,000 | Within 1 year | 0.33% | 13,440 |
| Company 4 | Advances | 4,096,234 | Within 1 year | 0.30% | 12,289 |
| Company 5 | Advances | 3,467,920 | Within 1 year | 0.25% | 10,404 |
| | | <u>1,294,970,757</u> | | <u>95.21%</u> | <u>141,738</u> |

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14 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments

| | 31 December 2020 | 31 December 2019 |
|--|----------------------|--------------------|
| Subsidiaries (a) | 2,048,000,000 | 340,000,000 |
| Associates (b) | 39,496,548 | 40,934,557 |
| | <u>2,087,496,548</u> | <u>380,934,557</u> |
| Less: Provision for impairment of long-term equity investments | (526,000,000) | - |
| | <u>1,561,496,548</u> | <u>380,934,557</u> |

(a) Subsidiaries

| | Changes in the current year | | | | | | 31 December 2020 | Balance of provision for impairment | Cash dividends declared this year |
|------|-----------------------------|---------------|--------------------|--------------------|-----------------------|-----------------------------|----------------------|---|--|
| | 31 December 2019 | Split-off | Debt exemption | Debt-to- equity | Equity transaction | Provision for impairment | | | |
| JMCH | 270,000,000 | (100,000,000) | 800,000,000 | - | 408,000,000 | (526,000,000) | 852,000,000 | (526,000,000) | - |
| JMCS | 50,000,000 | - | - | - | - | - | 50,000,000 | - | - |
| SZFJ | 10,000,000 | - | - | - | - | - | 10,000,000 | - | - |
| GZFJ | 10,000,000 | - | - | - | - | - | 10,000,000 | - | - |
| JMPC | - | 100,000,000 | - | 500,000,000 | - | - | 600,000,000 | - | - |
| | <u>340,000,000</u> | <u>-</u> | <u>800,000,000</u> | <u>500,000,000</u> | <u>408,000,000</u> | <u>(526,000,000)</u> | <u>1,522,000,000</u> | <u>(526,000,000)</u> | <u>-</u> |

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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14 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments (Cont'd)

(a) Subsidiaries (Cont'd)

- (i) According to the resolution of the Board of Directors on June 19, 2020, JMPC was established by split-off of JMCH in August 2020 legally (Note 5 (1)). After the split-off, the paid-in capital of JMCH decreased by RMB100,000,000, while the paid-in capital of JMPC was RMB100,000,000.
- (ii) In December 2020, agreed by the Company and JMCH, the Company exempted the debt of RMB800,000,000 from JMCH.
- (iii) In August 2020, agreed by the Company and JMPC, JMPC's debt due to JMC amount to RMB500,000,000 was converted to equity investment.
- (iv) In December 2020, the intellectual property rights, patents and supporting documents related to heavy trucks through the independent research and development of JMCH was sold to JMC. The total price excluding tax was RMB408,000,000. As an equity transaction, the transaction increased the book value of the Company's long-term equity investment to JMCH.

(b) Associates

Refer to Note 4(10).

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14 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales

| | 2020 | 2019 |
|-----------------------------------|-----------------------|-----------------------|
| Revenue from main business | 30,175,972,435 | 26,553,472,396 |
| Revenue from other business | 552,275,430 | 460,058,014 |
| | <u>30,728,247,865</u> | <u>27,013,530,410</u> |
| | 2020 | 2019 |
| Cost of sales from main business | 25,758,133,679 | 23,134,274,769 |
| Cost of sales from other business | 519,162,639 | 424,378,366 |
| | <u>26,277,296,318</u> | <u>23,558,653,135</u> |

(a) Revenue and cost of sales from main business

| | 2020 | | 2019 | |
|------------------------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | Revenue from main business | Cost of sales from main business | Revenue from main business | Cost of sales from main business |
| Sales of automobiles | 28,382,524,670 | 24,423,856,544 | 24,210,732,597 | 21,353,299,012 |
| Sales of spare parts | 1,699,021,801 | 1,238,994,675 | 2,239,157,121 | 1,682,580,466 |
| Automobile maintenance services | 94,425,964 | 95,282,460 | 103,582,678 | 98,395,291 |
| | <u>30,175,972,435</u> | <u>25,758,133,679</u> | <u>26,553,472,396</u> | <u>23,134,274,769</u> |

(b) Revenue and cost of sales from other business

| | 2020 | | 2019 | |
|--------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
| | Revenue from other business | Cost of sales from other business | Revenue from other business | Cost of sales from other business |
| Sales of materials | 389,754,210 | 366,341,033 | 303,146,217 | 274,751,261 |
| Others | 162,521,220 | 152,821,606 | 156,911,797 | 149,627,105 |
| | <u>552,275,430</u> | <u>519,162,639</u> | <u>460,058,014</u> | <u>424,378,366</u> |

JIANGLING MOTORS CORPORATION, LTD.

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14 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales (Cont'd)

(c) The breakdown of revenue earned in 2020 was as follows:

| | 2020 | | | | |
|---------------------------------------|-----------------------|----------------------|---------------------------------|----------------------|-----------------------|
| | Automobiles | Spare parts | Automobile maintenance services | Materials and others | Total |
| Revenue from main business | 28,382,524,670 | 1,699,021,801 | 94,425,964 | - | 30,175,972,435 |
| Including: Recognised at a time point | 28,382,524,670 | 1,699,021,801 | - | - | 30,081,546,471 |
| Recognised within a certain period | - | - | 94,425,964 | - | 94,425,964 |
| Revenue from other business | - | - | - | 552,275,430 | 552,275,430 |
| | <u>28,382,524,670</u> | <u>1,699,021,801</u> | <u>94,425,964</u> | <u>552,275,430</u> | <u>30,728,247,865</u> |
| | 2019 | | | | |
| | Automobiles | Spare parts | Automobile maintenance services | Materials and others | Total |
| Revenue from main business | 24,210,732,597 | 2,239,157,121 | 103,582,678 | - | 26,553,472,396 |
| Including: Recognised at a time point | 24,210,732,597 | 2,239,157,121 | - | - | 26,449,889,718 |
| Recognised within a certain period | - | - | 103,582,678 | - | 103,582,678 |
| Revenue from other business | - | - | - | 460,058,014 | 460,058,014 |
| | <u>24,210,732,597</u> | <u>2,239,157,121</u> | <u>103,582,678</u> | <u>460,058,014</u> | <u>27,013,530,410</u> |

(i) As at 31 December 2020, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was RMB125,714,599(31 December 2019:RMB91,326,046), which was expected to be recognised between 2021 and 2026.

(5) Investment income

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Investment income from financial assets held for trading | 75,400,552 | 47,385,707 |
| Investment loss from forward exchange settlement | (2,421,091) | (9,087,342) |
| Investment income from long-term equity investment under equity method | (1,438,009) | 822,880 |
| Losses on discounts for financing receivables | (1,113,466) | - |
| Losses from disposal of long-term equity investments | - | (307,081) |
| | <u>70,427,986</u> | <u>38,814,164</u> |

There is no significant restriction on the remittance of investment income to the Company.

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS
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1 Statement of non-recurring profit or loss

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Profit or loss on disposal of non-current assets | (167,780,780) | (4,212,722) |
| Government grants recognised in profit or loss for the current period | 277,756,664 | 466,818,134 |
| Gains and losses arising from changes in fair value of financial assets and liabilities held at fair value through profit or loss, and investment gains and losses from disposal of related financial assets and liabilities | 76,150,461 | 36,773,734 |
| Fund occupation fee received from non-financial institutions | 7,628,722 | 10,877,889 |
| Reversal of provision for impairment of receivables tested individually | 6,540,000 | - |
| Net amount of other non-operating income and expenses | 5,869,080 | (940,331) |
| Other profit and loss items that meet the definition of non-recurring profit and loss | (10,493,560) | - |
| | <u>195,670,587</u> | <u>509,316,704</u> |
| Effect of income tax | (50,160,162) | (53,250,177) |
| Effect of gains and losses on minority interests (net of tax) | - | - |
| | <u>145,510,425</u> | <u>456,066,527</u> |

Basis for preparation of statement of non-recurring profit or loss

Under the requirements in the *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

JIANGLING MOTORS CORPORATION, LTD.

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2 Return on net assets and earnings per share

| | Weighted average return on net assets (%) | | Earnings per share | | | |
|--|---|--------|-----------------------------|--------|-------------------------------|--------|
| | | | Basic earnings per share | | Diluted earnings per share | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Net profit attributable to ordinary shareholders of the Company | 5.13% | 1.42% | 0.64 | 0.17 | 0.64 | 0.17 |
| Net profit attributable to ordinary shareholders of the Company, net of non- recurring profit or loss | 3.77% | -2.95% | 0.47 | (0.36) | 0.47 | (0.36) |

Chapter XIII Catalog on Documents for Reference

1. Originals of 2020 financial statements signed by legal representative and Chief Financial Officer.
2. Originals of the Independent Auditor's Reports signed by Independent accountants and stamped by the accounting firm.
3. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in 2020.
4. The Annual Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
March 30, 2021