

§ 3 Operating Highlight

3.1 Main accounting data

Unit: RMB'000

	2006	2005	Year-on-year changes (%)	2004
Turnover	7,368,551	6,280,636	17.32	5,770,676
Profit before income tax	747,550	601,514	24.28	477,965
Net profit	623,197	490,872	26.96	415,134
Net cash generated from operating activities	1,150,212	1,001,152	14.89	749,919
	December 31, 2006	December 31, 2005	Changes from reporting period-end to year-beginning (%)	December 31, 2004
Total assets	5,312,494	4,722,421	12.50	4,179,331
Shareholder's equity (after minority interests)	3,001,647	2,810,410	6.81	2,449,019

3.2 Main financial indexes

	2006	2005	Year-on-year changes (%)	2004
Earnings per share (RMB)	0.72	0.57	26.32	0.48
Return on net asset ratio	20.76%	17.47%	Up 3.29 points	16.95%
Net cash per share generated from operating activities (RMB)	1.33	1.16	14.66	0.87
	December 31, 2006	December 31, 2005	Changes from reporting period-end to year-beginning (%)	December 31, 2004
Net assets per share (RMB)	3.48	3.26	6.75	2.84

3.3 Difference between net profits per Chinese Accounting Standards ('CAS') and per International Financial Reporting Standards ('IFRS')

■ Applicable □ Not Applicable

Unit: RMB'000

	Net Assets December 31, 2006	Net profit 2006
As Prepared under CAS	3,040,097	603,611
Adjustment per IFRS:		
Deferred Tax Asset	74,814	16,116
Defined Benefit Pension	-85,805	11,431
Deferred Income	-28,648	-2,536
Minority Interest	1,189	-584
Staff Bonus and Welfare Fund of Jiangling Isuzu JV appropriated from Profit after Tax	-	-5,190
Others	-	349
As Restated in Conformity with IFRS	3,001,647	623,197

§ 4 Share Capital Changes & Shareholders

4.1 Table on the changes of shareholding structure

The Full Tradable Share Reform of JMC has been implemented on February 14, 2006. As of December 31, 2006, table of the changes of shareholding structure is shown as follows:

	Before the change		Change (+, -)					After the change	
	Shares	Proportion of total shares (%)	New shares	Bonus Shares	Reserve-converted shares	Others	Subtotal	Shares	Proportion of total shares (%)
I. Limited tradable A shares									
1.State-owned shares									
2. State-owned legal person shares	354,176,000	41.03%						354,176,000	41.03%
3. Other domestic shares									
Including:									
Domestic legal person shares	47,438,000	5.50%						47,438,000	5.50%
Domestic natural person shares (Management Shares)	6,060	-						6,060	-
II. Unlimited tradable shares									
1. A shares	117,593,940	13.62%						117,593,940	13.62%
2. B shares	344,000,000	39.85%						344,000,000	39.85%
III. Total	863,214,000	100%						863,214,000	100%

Listing date of limited tradable A shares

Listing Date	Unlimited Tradable Shares Adding After Disposal Restriction Period	Balance of Limited Tradable Shares	Balance of Unlimited Tradable Shares	Remark
February 16, 2007	84,085,700	317,534,360	545,679,640	*Note
February 14, 2008	49,679,760	267,854,600	595,359,400	
February 14, 2009	267,854,600	0	863,214,000	

*Note: As of February 16, 2007, the total of 33 domestic legal person shareholders of JMC, including Guangdong Machinery & Electronic Company, Shenzhen Airport Terminal Building Co., Ltd. and others, who hold 6,519,060 JMC limited tradable A shares in total, did not repay the amount paid by Jiangling Holdings Limited ('JHC') on behalf of them in the Full Tradable Share Reform, nor deal with the procedure of relieving the trading restriction on the limited tradable A shares. The aforesaid shareholders should repay the consideration paid by JHC on behalf of them in the Full Tradable Share Reform and the interest thereof, or obtain written consent of JHC, if they want to list their limited tradable A shares, and complete the procedure of relieving the trading restriction on the limited tradable A shares.

The number of shares held by the top ten limited tradable A shares holders with restricted conditions

No.	Name	Shares	Date of Listing	Additional Unlimited Tradable Shares	Restricted Condition
1	Jiangling Holdings Limited	354,176,000	February 16, 2007	43,160,700	Not to be listed or transferred within 12 months as of Feb. 14, 2006. 5%, 10% and 41.03% of the total outstanding shares can be listed respectively after 12 months, 24 months and 36 months from Feb. 14, 2006
			February 14, 2008	43,160,700	
			February 14, 2009	267,854,600	
2	Shanghai Automotive Co., Ltd.	25,970,000	February 16, 2007	25,970,000	Not to be listed or transferred within 12 months as of Feb. 14, 2006.
3	China Baoan Group Co., Ltd.	12,000,000	*Note	12,000,000	*Note
4	Guangdong Machinery & Electronic Company	1,200,000	*Note	1,200,000	*Note
5	Shenzhen Airport	1,200,000	*Note	1,200,000	*Note

	Terminal Building Co., Ltd				
6	China Automobile Trading Corporation Guangdong Branch	720,000	*Note	720,000	*Note
7	Guangzhou Automobile Trading Center	600,000	*Note	600,000	*Note
8	Shenzhen Tongqian Investment Co., Ltd.	600,000	February 16, 2007	600,000	Not to be listed or transferred within 12 months as of Feb. 14, 2006.
9	Jilin Automobile Trading Corporation	240,000	*Note	240,000	*Note
10	Fuoshan Automobile Trading Corporation	240,000	February 16, 2007	240,000	Not to be listed or transferred within 12 months as of Feb. 14, 2006.

*Note: The shareholder should repay the consideration paid by JHC in its behalf in the Full Tradable Share Reform and the interest thereof, or obtain written consent of JHC, if it wants to list its limited tradable A shares, and complete the procedure of relieving the trading restriction on the limited tradable A shares.

4.2 Total shareholders, top ten shareholders, and top ten shareholders holding unlimited tradable shares

Total shareholders	JMC had 27,769 shareholders, including 20,313 A-share holders and 7,456 B-share holders, as of December 31, 2006.				
Top ten shareholders					
Name	Shareholder type	Ratio in the total capital stock (%)	Shares	Including: limited tradable shares	Shares due to mortgage or frozen
Jiangling Holdings Limited ('JHC')	State Shareholder	41.03	354,176,000	354,176,000	0
Ford Motor Company ('Ford')	Foreign-investment shareholder	30	258,964,200	0	0
Shanghai Automotive Co., Ltd.	Other	3.01	25,970,000	25,970,000	0
China Baoan Group Co., Ltd.	Other	1.39	12,000,000	12,000,000	12,000,000
Southern Stock Open Securities Investment Fund	Other	1.39	12,000,000	0	0
Dragon Billion Greater China Master Fund	Other	1.12	9,684,798	0	0
National Social Security Fund—Portfolio 108	Other	0.75	6,477,808	0	0
Southern Positive	Other	0.65	5,569,704	0	0

Securities Investment Fund					
National Social Security Fund—Portfolio 103	Other	0.64	5,501,015	0	0
YuLong Securities Investment Fund	Other	0.62	5,309,794	0	0
Top ten shareholders holding unlimited tradable shares					
Name		Shares		Share Type	
Ford Motor Company		258,964,200		B share	
Southern Stock Open Securities Investment Fund		12,000,000		A share	
Dragon Billion Greater China Master Fund		9,684,798		B share	
National Social Security Fund—Portfolio 108		6,477,808		A share	
Southern Positive Securities Investment Fund		5,569,704		A share	
National Social Security Fund—Portfolio 103		5,501,015		A share	
YuLong Securities Investment Fund		5,309,794		A share	
Dragon Billion China Fund		5,073,066		B share	
UBS SDIC Dynamic Innovation Fund		4,895,605		A share	
China Intl Marine Containers (Hong Kong) Ltd.		3,758,211		B share	
Notes on association among above-mentioned shareholders		Both Southern Stock Open Securities Investment Fund and Southern Positive Securities Investment Fund are in the custody of China Southern Fund Management Co., Ltd.; Both National Social Security Fund—Portfolio 108 and YuLong Securities Investment Fund are in the custody of Boshi Fund Management Co., Ltd.			

4.3 Controlling Shareholders and actual controller

4.3.1 Changes of controlling shareholders and actual controller

Applicable Not Applicable

4.3.2 Controlling shareholders

The controlling shareholders of JMC are JHC and Ford.

JHC was founded on November 1, 2004 and its registered capital is RMB 1 billion. Jiangling Motors Company (Group) ('JMCG') and Chongqing Changan Automobile Corporation Ltd. held 50% of total equity of JHC respectively. And its legal representative is Mr. Yin Jiayu. Main scope of business: manufacturing of automobiles, engines, chassis, and automotive components and parts, sales of self-produced products, as well as related after-sales services; industrial investment; management & agent for merchandise and technology export & import; property management; sales of household articles, mechanical & electronic equipment, artistic handicrafts, agricultural by-products and steel; consulting business in enterprise

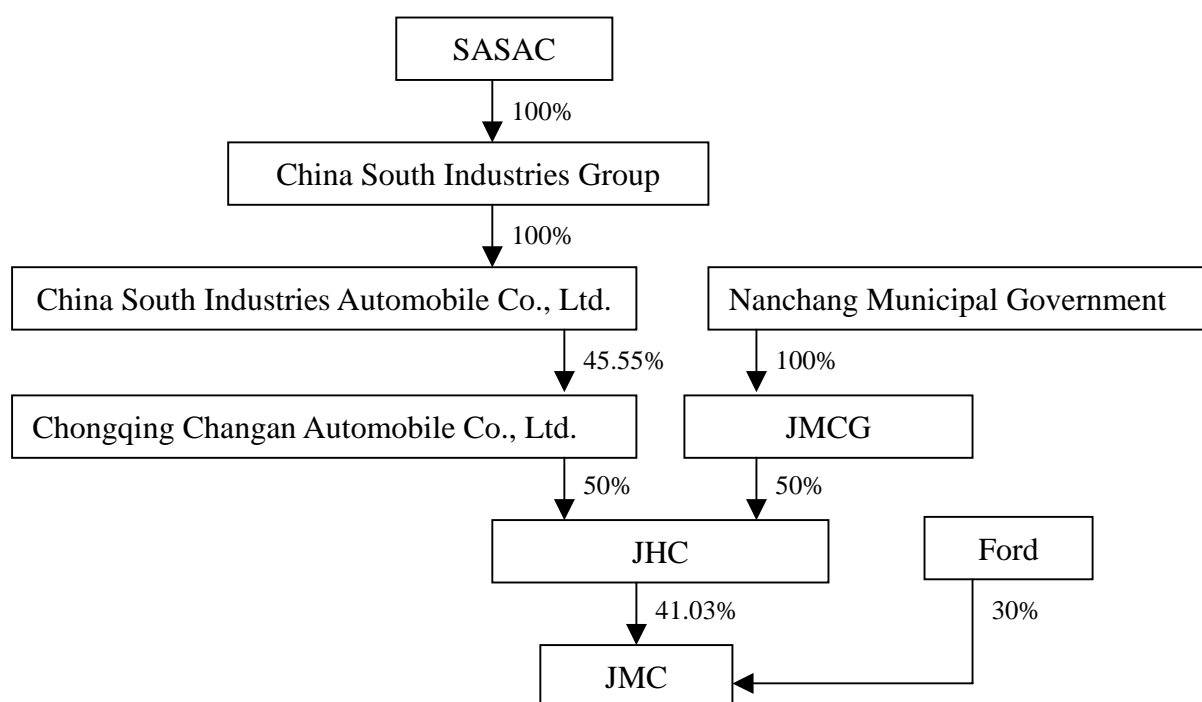
management. The registration of JHC was changed with Nanchang Municipal Bureau of Industrial & Commercial Administration on August 23, 2006, where the name of the enterprise was changed as Jiangling Holdings Limited from the original Jiangxi Jiangling Holdings Limited.

Ford, founded in 1903, is a US-based listed company. Its ownership interest is US\$ 3.5 billion. Chairman: William Clay Ford, Jr. Main scope of business: design, manufacturing, assembly and sales of cars, trucks, parts and components, financing, leasing of vehicles and equipment, and insurance business.

The actual controlling party of JHC is China South Industries Group.

China South Industries Group was founded on June 29, 1999 with its registered capital of RMB 12,645,210,000 and was subordinate to the State-owned Assets Supervision and Administration Committee of the State Council ('SASAC'). Its legal representative is Mr. Xu Bin. Business scope and major products: investment and management of state-owned assets, manufacturing of armaments, engineering prospecting, designing, contracting, construction supervision, equipment installation, etc.

4.3.3 Ownership and control relations between the Company and the actual controlling parties



§ 5 Directors, Supervisors and Senior Management

5.1 Shareholding Changes and compensation of Directors, Supervisors and Senior Management

Position	Name	Gender	Age	Term of office	Shares as of Dec. 31, 2005	Shares as of Dec. 31, 2006	Share change in 2006	Cause of share change	Compensation paid by JMC in 2006 (RMB thousand)	Compensation paid by shareholder entities or other related entities (Y/N)
Directors:										
Chairman	Wang Xigao	Male	57	2005.6~2008.6	0	0	0			Y
Vice Chairman	Mei Wei Cheng	Male	57	2005.6~2008.6	0	0	0			Y
Director	Yin Jiaxu	Male	51	2005.11~2008.6	0	0	0			Y
Director	Howard Welsh	Male	49	2005.6~2008.6	0	0	0			Y
Director & President	Yuan-Ching Chen	Male	55	2005.6~2008.6	0	0	0		*	N
Director & EVP	Tu Hongfeng	Male	59	2005.6~2008.6	0	0	0		960	N
Independent Director	Zhang Zongyi	Male	43	2005.6~2008.6	0	0	0		80	N
Independent Director	Pan Yuexin	Male	49	2005.6~2008.6	0	0	0		80	N
Independent Director	Lok Kim Chai	Male	60	2005.6~2008.6	0	0	0		80	N
Supervisors:										
Chief supervisor	Wu Yong	Male	57	2005.6~2008.6	4,860	4,860	0			Y
Supervisor	Alvin Qing Liu	Male	50	2005.6~2008.6	0	0	0			Y
Supervisor	Zhu Yi	Male	37	2005.6~2008.6	0	0	0			Y
Supervisor	Zhang Yong	Male	37	2006.6~2008.6	0	0	0		90	N
Supervisor	Jin Wenhui	Male	40	2005.6~2008.6	0	0	0		190	N

Position	Name	Gender	Age	Term of office	Shares as of Dec. 31, 2005	Shares as of Dec. 31, 2006	Share change in 2006	Cause of share change	Compensation paid by JMC in 2006 (RMB thousand)	Compensation paid by shareholder entities or other related entities (Y/N)
Senior Management:										
EVP	Xiong Chunying	Female	43	2005.6~2008.6	1,200	1,200	0		760	N
EVP	Liu Nianfeng	Female	45	2005.6~2008.6	0	0	0		760	N
CFO	Joseph Verga	Male	47	2006.2~2008.6	0	0	0		*	N
VP & Board Secretary	Wan Hong	Male	46	2005.6~2008.6	0	0	0		580	N
VP	Zhong Wanli	Male	44	2005.6~2008.6	0	0	0		*	N
VP	Zhou Yazhuo	Male	44	2005.6~2008.6	0	0	0		580	N
VP	Mustafa Menkü	Male	37	2006.5~2008.6	0	0	0		*	N
VP	Tamer Açikel	Male	46	2006.5~2008.6	0	0	0		*	N
VP	Li Qing	Male	42	2006.12~2008.6	0	0	0		360	N
Total					6,060	6,060			4,520	

*Note: JMC pays Ford annual compensation for Ford-seconded senior management personnel in line with the Personnel Agreement signed between Ford and JMC, and Ford pays the senior management and other foreign personnel seconded to JMC. Subject to the Amendment to Personnel Agreement approved by the Board, in 2006, JMC should pay US\$ 250 thousand to Ford for Director & President Yuan-Ching Chen, US\$ 229.2 thousand for CFO Joseph Verga, US\$ 125 thousand for VP Mustafa Menkü and VP Tamer Açikel per person, and RMB 250 thousand for VP Zhong Wanli, including salary, insurance, and other personnel-related expenses.

Abbreviations:

EVP Executive Vice President
CFO Chief Financial Officer
VP Vice President

§ 6 Report of the Board of Directors

6.1 Discussions and analysis on operating results during the reporting period

(1) Operating Results

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

In 2006, JMC sales volume attained a record of 85,214 units including 32,936 JMC series light trucks, 881 Yunba minibuses, 24,917 pickups, 3,543 Baowei SUV and 22,937 Ford Transit series commercial vehicles. Total sales volume was up 16% from last year. Total production volume was 84,121 units, including 32,919 light trucks, 813 Yunba minibuses, 23,989 pickups, 3,336 Baowei SUV, and 23,064 Transits.

The Company's sales increase is primarily explained by industry increases and new model introduction. Transit sales volume increased by 25% compared with last year, Light Truck sales were higher by 19% and Pickup sales were higher by 13%.

In 2006, the Company achieved a share of about 1.2% of the Chinese automotive market, decreasing by 0.1 percentage point compared with last year. (In 2006, the Company achieved a share of about 2.9% of the Chinese commercial automotive market, increasing by 0.1 percentage point from last year.) JMC light trucks (including pickup) accounted for 6.0% of the light truck market, up about 0.2 percentage points above 2005 level. Transit, along with the JMC brand Yunba minibus, achieved about 12% of the light bus market, about 1.3 percentage points higher than last year. (Data source for above analysis: China Association of Automobile Manufacturers and the Company sales records)

(2) Operating Results of Subsidiaries

Name of Subsidiaries	Business	Main Products	Registered Capital	Assets (RMB'000)	Turnover (RMB'000)	Operating Profit (RMB'000)	Net Profit (RMB'000)
Jiangling-Isuzu Motors Company, Ltd.	Manufacture	N series Light Truck, T series Pickup, Microbus, SUV	\$ 30 million	1,415,665	4,065,587	123,833	103,795

(3) Main Suppliers and Customers

The total amount of the purchase from the top 5 suppliers was RMB 1,463 million, accounting for 26% of JMC's total annual purchasing amount. The total sale amount to the top 5 customers was RMB 1,414 million, accounting for 19% of JMC's total turnover.

(4) Operational Challenges and Resolutions

In 2006, the Company continued to face competitive challenges with new product entries and intensifying cost pressures. In the mean time, the Company focused on initiating new product development and expanding production capacity.

Regarding competition, the Company continued to experience market share pressure from lower-priced competitors in all its segments. In response, the Company introduced new Transit and Pickup models in the Fourth Quarter of 2005. Additionally, we lowered prices for Baowei SUV models in January and for Pickup models in June. The Company also accelerated launch of Transit brand-specific stores to provide sales focus and enhance customer purchase experience. As a result, Transit sales grew by 25%, and Light Truck sales were higher by 19%, both reflecting a higher segment share than 2005. Pickup sales were higher by 13%, but segment share declined due to the increasing competition and new entrants in this segment.

In the area of cost management, the Company continues to deal with higher raw material price and cost associated with increased regulatory requirements. To maintain acceptable profit margin, the Company placed high priority on cost management and continued to establish dedicated teams to lead vigorous cost reduction and waste elimination activities throughout the entire enterprise. We also moved upstream in the product development process to reduce costs during the design stage, in addition to tightening cost control on models currently in production and daily operating expenses.

The company anticipates continued market pressures including competitive price reduction, government policy revision, more stringent regulatory requirements and new vehicle entries in selected market segments.

The Company's management remains focused on (1) leveraging existing product platforms to generate new revenue streams, (2) introducing new products, and (3) capacity expansion actions. The Company continues to execute the three major product projects approved in the fourth quarter of 2005 with the support of our technology partners. These programs are the V348 project (the next generation commercial vehicle product with technology provided by Ford), the N900 project (the next generation truck product which is developed independently), and the JX4D24 engine manufacturing project in support of localization as well as to meet future regulatory requirements. Additionally, the V128 project which distribute homologated imported Ford E-series models in the China market was approved in July 2006. The Board also approved the N350 project (a next generation independently developed pickup product) in December 2006. These actions will introduce competitive and profitable products into the light commercial vehicle market as soon as possible. A new paint shop was launched at the end of 2006. A frame plant press line capacity project and a C3 press line capacity project were approved by the Board of Directors in July 2006 and September 2006 respectively. These manufacturing actions are aimed at supporting the Company's present volume growth and increased volume associated with new products.

Finally, the company is continuing efforts to ensure sustainable growth, including studying project opportunities for adding incremental products and has established a team to expand profitable export and OEM sales.

(5) Financial Results

Revenue in 2006 was RMB 7,369 million, up 17% from year ago. This increase primarily reflected higher vehicle sales volume, partially offset by price reduction.

Under International Financial Reporting Standards, net profit was RMB 623 Million, up 27% from last year's level. Higher profit derived from volume increases and cost reductions was partially offset by price reduction and cost increases driven by regulatory actions. Distribution costs increased by RMB 135 Million, up 38% from last year, primarily reflecting volume-related changes including vehicle delivery costs, warranty, promotion expenses and advertisement expenditure. Administrative expenses increased by RMB 121 Million, up 32% from the prior year, primarily reflecting higher program spending and technical development fees associated with higher Transit sales volume.

Cash flow from operations was positive RMB 1,150 million, reflecting profitability and operating-related changes. Cash flow from investing activities was negative RMB 491 million, reflecting primarily spending for capital goods such as facilities, equipment and tooling. Financing cash flow was negative RMB 450 million, primarily reflecting dividend payment, bank loan reduction and interest expenses.

At the end of 2006, Company cash and cash equivalents totaled RMB 2,168 million, up RMB 209 million from the end of 2005. The balance of bank borrowing was RMB 132 million, down RMB 3 million from the end of 2005 (decreased 2%).

Total assets were RMB 5,312 million, up 12% from RMB 4,722 million at year-end 2005, primarily reflecting higher Construction in Progress, receivables and cash balance. The assets structure remains unchanged from 2005.

Total liabilities, including minority interest, were RMB 2,311 million, up 21% from year-end 2005, primarily reflecting higher accounts payable and accrual due to higher production volumes and investment. Lower customer advances partially offset the above increases.

Shareholder equity was RMB 3,002 million at December 31, 2006, up RMB 192 million from year-end 2005. This increase is explained by net profit earned in the reporting period. Dividend payments partially offset the equity increase.

(6) Causes of Change in Accounting Estimate and Impact on JMC

According to the requirements of Chinese Accounting Standards and considering JMC's actual condition, on July 11, 2006, the Board of Directors approved the adjustment to the fixed asset depreciation periods and residual values adopted in 1993, effective from July 1, 2006, and approved a corresponding one-time asset write-down

of RMB 22 million. This change in accounting methods reduced pre-tax profit by RMB 41.58 million this year. The adjustment to the fixed asset depreciation periods, residual values and annual straight line depreciation rate was as follows:

Asset Sort	After Adjustment			Before Adjustment		
	Depreciation Period (Years)	Residual Value (% of Purchase Value)	Annual Straight Line Depreciation Rate (%)	Depreciation Period (Years)	Residual Value (% of Purchase Value)	Annual Straight Line Depreciation Rate (%)
Buildings	35-40	4%	2.4-2.74%	35	10%	2.57%
Plant and Machinery	10-15	4%	6.4-9.6%	10	10%	9%
Equipment and Motor Vehicles	6-10	4%	9.6-16%	6	10%	15%
Electronics & Others	5-7	4%	13.71-19.2%	7	10%	12.86%

(7) 2007 Year Plan

The Company is projecting revenue in the range of RMB 8,000 to 8,500 million for 2007. Intensified competition resulting from new market entries and the launch of news models will require increased levels of marketing expense to support expanded market share. Additionally, R&D and capital expenditures are projected to be higher as we progress with new product programs and capacity expansion actions.

In 2007, the Company continues to focus on generating cash and profits, enhance formulation of new product development strategies, and execute plans for future growth. Specific actions include:

- i. Accelerate efforts to strengthen our brand image through enhancing the Company's distribution network, including brand-specific shop expansion and improving customer sales service.
- ii. Work with our technology partners to launch the V348 project and to further implement the N900, JX4D24 and N350 new product development projects, and continue to expand production capacity; spending for presently approved projects will be funded from cash reserves.
- iii. Increase cost reduction efforts by focusing on customer value and eliminating waste.
- iv. Develop product plans to add new products for introduction in the Chinese market.
- v. Expand the export and OEM component sales business.

6.2 The Detailed Table of Revenue & Cost of Goods Sold from Core Business.

Unit: RMB '000

Product	Turnover	Cost in core business	Gross margin	Year-on-year changes of turnover (%)	Year-on-year changes of costs in core business (%)	Year-on-year changes of gross margin (point)
I. Vehicle	6,730,742	5,094,123	24.3%	17.6	14.4	2.1
II. Components	637,809	494,499	22.5%	14.5	11.6	2.4
Total	7,368,551	5,588,622	24.2%	17.3	14.1	2.1

6.3 Regional classifications of JMC's core business

Applicable Not Applicable

Unit: RMB '000

Region	Turnover	Year-on-year changes (%)
North-east China	370,621	26.1
North China	652,375	12.0
East China	3,936,048	19.7
South China	1,244,003	8.2
Central China	416,448	18.0
North-west China	265,571	15.2
South-west China	483,486	26.2

6.4 Raised fund use

Applicable Not Applicable

Changed projects

Applicable Not Applicable

6.5 Non-raised fund use

Applicable Not Applicable

Project Name	Total Investment Estimate (RMB Mils)	Spending To Date (RMB Mils)	Planned Job#1 Date
V348	909	476	Second Half, 2007
N350	598	13	Second Half, 2009
JX4D24 Engine	350	22	First Half, 2008
N900	250	48	Second Half, 2008
Paint Line	222	Completed	
Euro III	195	120	Second Half, 2006 ~ First Half, 2007
C3 Press Line	64	9	Second Half, 2007

Frame Press Machine	53	9	First Half, 2008
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6.6 Explanation of the board of directors to abnormal opinions from accounting firm

Applicable Not Applicable

6.7 The proposals on year 2006 profit distribution and transferring capital surplus reserve to share capital

Details on the profit available for appropriation of the Company in 2006 prepared in accordance with Chinese Accounting Standards ('CAS') and International Financial Reporting Standard ('IFRS') are as follows:

Unit: RMB'000		
	CAS	IFRS
Retained earning at Dec. 31, 2005	890,903	829,729
2006 net profit	603,611	623,197
Reserve	-65,551	-60,361
Allocation of dividend for 2005	-439,376	-439,376
Retained earning at Dec. 31, 2006	989,587	953,189

The upper limit of profit available for distribution was based on the lower of the unappropriated profit calculated in accordance with CAS and that calculated in accordance with IFRS. Therefore, the Company's retained earnings available for distribution as of December 31, 2006 was RMB 953,189 thousand.

The Board approved to submit to the 2006 Annual Shareholders' Meeting the following proposal on year 2006 profit distribution:

- (1). Appropriate 10% of the 2006 net profit calculated in accordance with CAS as statutory surplus reserve;
- (2). Appropriate for dividend distribution from the year's net profit, a standard dividend of RMB 0.3 per share based on the Company's total share capital; and
- (3). Carry forward the balance of the unappropriated profit to the following fiscal year.

Profit distribution proposal: A cash dividend of RMB 3 (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, 2006, total cash dividend distribution amounts to RMB 258,964,200.

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

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

§ 7 Major events

7.1 Acquirement of operation

Applicable Not Applicable

Unit: RMB '000

Counterparty	Acquired assets	Purchasing date	Price	Profit Contributed to the Company from purchasing date to Dec. 31, 2006	Related party transaction (Y/N)	Pricing Principle	Completion of share transfer (Y/N)	Completion of creditor's rights and liabilities transfer (Y/N)
Ford Motor Company	80% equity of Jiangxi Fujiang After-sales Service Co., Ltd.	September 30, 2006	60,000	-1,730	Y	Net Present Value Approach	Y	Y

7.2 Sales of operation

Applicable Not Applicable

7.3 Major guarantee

Applicable Not Applicable

7.4 Major related party transactions

7.4.1 Related party transactions relating to day-to-day operation

unit: RMB '000

Related Party	Sales of goods/providing labour services to related parties		Purchase of goods/labour services from related parties	
	Amount	As % of total turnover	Amount	As % of total purchases
JMCG	-	-	499,083	9.01%
Ford	-	-	205,050	3.70%
JMCG Interior Trim Factory	59,407	0.81%	201,086	3.63%
Nanchang Gear Co., Ltd	51,086	0.69%	193,166	3.49%
Jiangling-Lear Interior Trim Factory	-	-	153,562	2.77%
Jiangxi FuChang Climate System Co.	-	-	133,182	2.41%
Jiangxi Huaxiang Auto Components Co.	-	-	63,603	1.15%
JMCG Variant Vehicle Factory	33,879	0.46%	51,262	0.93%
JMCG Industrial Company	126,405	1.72%	32,753	0.59%
JMCG Import and Export Co., Ltd.	414,875	5.63%	-	-
JHC	124,918	1.70%	-	-
Jiangling Land-wind Vehicle Co., Ltd.	50,343	0.68%	-	-
Jiangling Chassis Company	34,849	0.47%	-	-

Total	895,762	12.16%	1,532,747	27.68%
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In the reporting period, the related party transactions with controlling shareholder and its subsidiaries, to whom the Company sold goods and provided labour services, was RMB 175,261 thousand.

7.4.2 Creditor's rights and liabilities between listing company and related parties

Applicable Not Applicable

7.4.3 Settlement of the Company's non-operating funding since Dec. 31, 2005

Applicable Not Applicable

Unit: RMB 000

Non-operating account receivable balances by major shareholder and its subsidiaries		Total amount in the reporting period	Settlement	Amount	Date
As of January 1, 2006	As of December 31, 2006				
1,650	0	1,650	Cash payment	1,650	May 2006
Notes on settlement of the Company's non-operating account receivable balances by major shareholder and its subsidiaries		The reason for establishment of this receivable was that the Company paid utility fees on behalf of a major shareholder and its subsidiaries. As of May 31, 2006, the aforesaid non-operating receivable balance has been settled.			

Status of non-operating funding increased in 2006

Applicable Not Applicable

7.5 Trust investment

Applicable Not Applicable

7.6 Implementation of commitments

Applicable Not Applicable

7.6.1 Special commitments in the Full Tradable Share Reform

Applicable Not Applicable

Name	Special Commitment	Implementation
JHC	JHC promises specifically to pay the consideration on behalf of the unlisted-share holders who oppose the Share Reform or did not express their opinions. The above-mentioned unlisted-share holders should repay the consideration paid by JHC and the interest,	Has been implemented per the special commitment

	or obtain written consent from JHC, if they want to list their shares.	
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7.6.2 Table of unlimited tradable shares held by the former unlisted-share holder who holds 5% or more of the total outstanding shares of JMC as of December 31, 2006

Unit: thousand shares

Name	Unlimited tradable Shares held by the shareholders as of the listing date of the limited tradable shares	Changes of shares	Cause	Unlimited tradable shares held by the shareholders as of Dec. 31, 2006
JHC	43,160.7	43,160.7	The trading restriction for the limited tradable shares was relieved.	0

7.6.3 Other Commitments

Applicable Not Applicable

7.7 Major litigation and arbitration

Applicable Not Applicable

§ 8 Report of Supervisory Committee

Applicable Not Applicable

§ 9 Financial Report

9.1 Auditor's opinion: unqualified auditor's report without explanatory notes

9.2 Financial Statements

Consolidated Balance Sheet

(Prepared under International Financial Reporting Standards)

	As of 31 December	
	2006	2005
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,819,529	1,546,959
Lease prepayment	143,289	146,766
Intangible assets	36,971	-
Investments in associates	16,120	21,245
Deferred tax assets	74,814	58,698
	2,090,723	1,773,668
Current assets		
Inventories - net	595,717	625,869
Trade and other receivables	437,934	363,429
Held-to-maturity investment	19,895	-
Cash and cash equivalents	2,168,225	1,959,455
	3,221,771	2,948,753
Total assets	5,312,494	4,722,421
EQUITY		
Capital and reserves attributable the Company's equity holders		
Share capital	863,214	863,214
Share premium	816,609	816,609
Other reserves	368,635	300,858
Retained earnings	953,189	829,729
	3,001,647	2,810,410
Minority interests	126,012	116,451
Total equity	3,127,659	2,926,861
LIABILITIES		
Non-current liabilities		
Borrowings	10,227	10,834
Retirement benefits obligations	69,350	79,576
Deferred income	28,648	26,112
Provisions	104,738	103,508
	212,963	220,030
Current liabilities		
Trade and other payables	1,823,228	1,422,670
Current tax liabilities	10,081	11,130
Borrowings	122,108	124,070
Retirement benefits obligations	16,455	17,660
	1,971,872	1,575,530
Total liabilities	2,184,835	1,795,560
Total equity and liabilities	5,312,494	4,722,421

Consolidated Income Statement

(Prepared under International Financial Reporting Standards)

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Sales	7,368,551	6,280,636
Sales tax and surcharge	(129,891)	(113,112)
Net sales	7,238,660	6,167,524
Cost of sales	(5,588,622)	(4,898,489)
Gross profit	1,650,038	1,269,035
Distribution costs	(494,481)	(359,515)
Administrative expenses	(503,128)	(382,018)
Other income/gains	49,318	51,129
Operating profit	701,747	578,631
Finance income	48,058	28,156
Finance costs	(7,889)	(9,446)
Finance costs-net	40,169	18,710
Share of profit of associates	5,634	4,173
Profit before income tax	747,550	601,514
Income tax expense	(99,116)	(86,088)
Profit for the year	648,434	515,426
Attributable to:		
Equity holders of the Company	623,197	490,872
Minority interest	25,237	24,554
	648,434	515,426
Earnings per share for profit attributable to the equity holders of the Company		
(expressed in RMB per share)		
- Basic and diluted	0.72	0.57

Consolidated Cash Flow Statement
(Prepared under International Financial Reporting Standards)

	Year ended 31 December	
	2006	2005
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities		
Cash generated from operations	1,267,076	1,080,579
Interest paid	(6,515)	(8,916)
Income tax paid	(110,349)	(70,511)
Net cash generated from operating activities	<u>1,150,212</u>	<u>1,001,152</u>
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash paid	(24,699)	-
Purchase of held-for-maturity	(19,894)	-
Purchase of property, plant and equipment ("PPE")	(500,400)	(223,062)
Proceeds from sale of PPE	2,224	6,079
Interest received	47,568	30,101
Dividends received	3,314	3,214
Other cash flows from investing activities	787	-
Net cash used in investing activities	<u>(491,100)</u>	<u>(183,668)</u>
Cash flows from financing activities		
Proceeds from borrowings	162,704	124,693
Repayments of borrowings	(163,481)	(200,000)
Dividends paid to Company's shareholders	(432,913)	(127,905)
Dividends paid to minority interest	(15,676)	(15,486)
Other cash paid relating to financing activities	(777)	(715)
Net cash used in financing activities	<u>(450,143)</u>	<u>(219,413)</u>
Effects of exchange rate changes	<u>(199)</u>	<u>(88)</u>
Net increase in cash and cash equivalents	208,770	597,983
Cash and cash equivalents at beginning of the year	<u>1,959,455</u>	<u>1,361,472</u>
Cash and cash equivalents at the end of the year	<u>2,168,225</u>	<u>1,959,455</u>

Board of Directors
Jiangling Motors Corporation, Ltd.
April 6, 2007