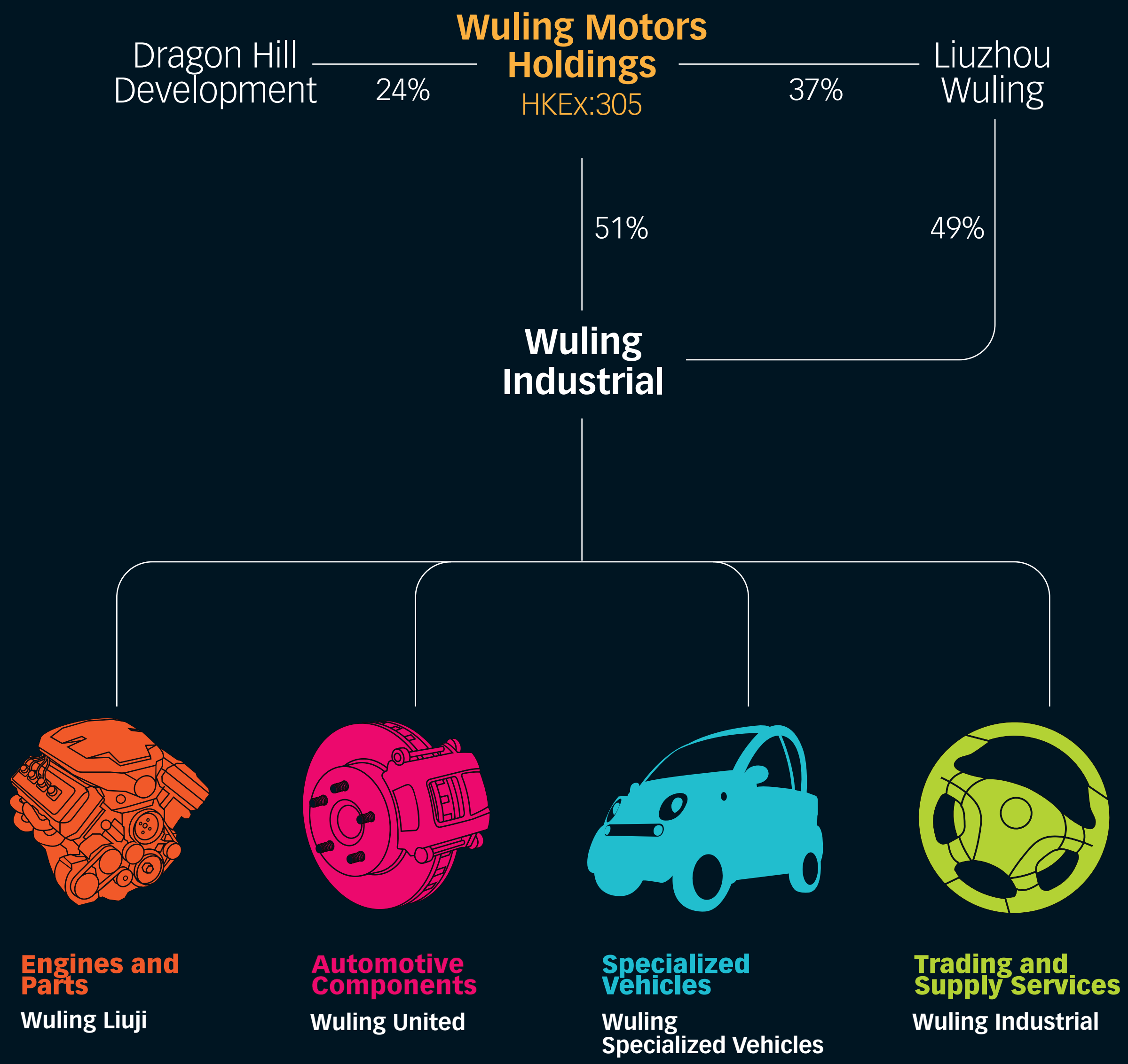
Wuling Motors Holdings Limited

(Incorporated in Bermuda with limited liability)
(formerly known as Dragon Hill Wuling Automobile Holdings Limited)
Stock Code: 305

CORPORATE PROFILE

Wuling Motors Holdings Limited (formerly known as Dragon Hill Wuling Automobile Holdings Limited) is principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles in China. Partnered with Liuzhou Wuling Motors Company Limited, a reputable state-owned enterprise with extensive industry experiences, our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China. The Group is the leading commercial-type mini-vehicle's engines and automotive components manufacturer as well as a qualified enterprise for manufacturing electrical mini-truck in China. The Group's main production facilities are located in Liuzhou and Qingdao. In 2011, it was ranked as one of the Fortune China 500 Enterprises.

GROUP STRUCTURE



MAJOR PROJECTS

AUTOMOTIVE COMPONENTS AND SPECIALIZED VEHICLES DIVISIONS

New Production Facilities in Qingdao

The project is established in accordance with the development plan of the core customer, SGMW, and with spare capacity to satisfy the specific needs of certain components for potential customers. Annual production capacity of 600,000 units of automotive components and 50,000 vehicles will be provided when completed in 2013.

Hexi Industrial Park in Liuzhou

Construction project of the 622 acres industrial land located in Hexi Industrial Park, Liuzhou is progressing satisfactorily. Project to be completed in two stages from late 2012 onwards and is expected to contribute to the performance of the Group from 2013 onwards. Apart from coordinating with the development plan of the core customer, SGMW, additional capacities will also be in place for potential customers for automotive components and the manufacturing of motor vehicles. Besides, the project can also cater the needs for the gradual urban development plan advocated by the Liuzhou Government by relocating some of the existing facilities from the urban district to the planned industrial zones.

Business Strategy of New Energy Vehicles

New energy vehicle has become the main focus of the Chinese automobile industry in the Twelfth Five-Year-Plan. In 2009, the Group became the first qualified enterprise in China for manufacturing small electrical trucks and began to export new energy vehicles to overseas markets. In October 2010, a milestone of the Group in the new energy vehicles business development was achieved through the sale of Wuling new energy vehicles in Guangxi. The Group has included new energy vehicles into the overall development strategy of the Group and aims at becoming the market leader in this business segment.

RE-ENGINEERING PROJECT OF ENGINES DIVISON

Key project – the new foundry facilities for 600,000 units cylinder blocks has been completed since May 2011 and undertook trial run for the main models of existing customers. Total units produced in 2011 accumulated to 70,000 units and are expected to be increased in multiples when become operational for the full year of 2012. Completion of the foundry facilities can promote business growth by expanding the business potential and enhancing the technical knowhow of the engines' business of the Group.

CONTENT

In Pursuit of a **Healthy** and **Stable Growth** for the Group

2011 was a challenging year for the automotive industry in China. After more than a decade of rapid growth, the industry entered a thorny year with the exit of encouraging government policies, continuing rise in raw material prices and labor costs and other unfavorable factors. As a major supplier of mini-vehicle automotive components in China, Wuling Motors tackled these challenges in a determined and confident manner by upholding its corporate strategies of "adjusting business structure, enhancing product quality, boosting corporate competitiveness and promoting the development of the Twelfth Five-Year-Plan". Accordingly, the Group has been accelerating new product research and development, intensifying new market development and enforcing new business breakthroughs, while implementing its ongoing innovation management, optimization in management structure and acceleration of product structural adjustments. As a result, we are glad to see that the Group was able to maintain the same scale of operations as that of the previous year with total revenue amounting to RMB10,908,602,000 in 2011. The Group's net profit stood at RMB136,455,000 and profit attributable to owners of the Company was RMB69,813,000.

The specialized vehicles segment was able to achieve full-year sales of over 37,000 units driven by the Group's tireless marketing endeavor, even in the face of adverse market environment. The Group also launched a strategic program to adjust product mix by means of sales process management and control, which aimed to reduce the portion of the less profitable redecorated wagons in the highly competitive market, while strengthening other higher margin products such as sight-seeing vehicles, mini-van, as well as those new products such as school bus which were explored in response to government measures implemented across the country for improving district facilities, so as to enhance profit of the specialized vehicles segment. Notwithstanding the market downturn last year and that the predicted results of the strategic program are yet to be realized, some products such as petrol sight-seeing vehicles and school bus that are 6 meters or less in vehicle-length already achieved impressive market shares in respective markets last year. The Group is confident that in the long run, the program will be conducive to the development of the specialized

vehicles operations. In addition, the Group is also actively expanding new energy vehicle products. Apart from developing the domestic market, the Group also exported ED150 electrical trucks, C1 electrical community cars and other vehicles in bulk to the United States and Thailand last year. The Group also established its product sales and service systems in these markets through local distributor networks, which accelerated its business development.

The Group's engines business segment remained stable in 2011 with total sales volume maintained at approximately 700,000 units, benefited from the demand of its main customer SAIC-GM-Wuling Automobile Co., Limited ("SGMW"). During the year, the Group succeeded to stabilize the existing businesses whilst continued for expansion in external customer markets as we were pursuing more healthy business growth through customer diversification. In addition to the external customers acquired last year, the newly-added customers including Nanjing Changan and Zhengzhou Haima contributed 150,000 units of external sales which accounted for approximately 20% of the annual sales volume. On the other hand, key technical re-engineering programs including the new foundry facilities of engine cylinder block and cylinder head were completed and put into production successively, which not only strengthened the Group's engines business chain, but also enhanced its technical and manufacturing capabilities. Apart from the finished engine products, the Group has just begun rendering a new service of casting semi-finished parts for customers for their own self-assembly of engine components, which forms a new growth point of the Group's engines business.

Production and sales of the automotive components segment were maintained at last year's level, which was attributable to the Group's provision of key components to its core customer SGMW, the largest mini-van manufacturer in China. The Group also launched its passenger model vehicle components production and sales operations, and managed to tailor-make specific components for Baojun 630 model car manufactured by SGMW, which is the first own proprietary branded passenger car in Guangxi. This opened a new page for the Group's passenger vehicle components business. Nevertheless, the rising raw material prices and labor costs and other adverse factors were presenting challenges. Facing the challenges, the Group actively developed and added new customers to the core customer base for more diversified business development, fully leveraging its competitive advantages in production and sales of auto parts. The Group gained new customers in the Southwest China by supplying front car suspension systems, which generated approximately RMB200 million in sales during the year under review. The Group also began to provide automobile rear axle, rear brake, front suspension, seats and other products to some large car manufacturers such as Chery Automobile and Bei Qi Foton. All these helped expanding frontiers for future development of the Group's components business.

In order to meet the needs of business development, the Group has been actively investing in construction and improvement works such as expansion and upgrading of production facilities. Total capital expenditure of the Group in 2011 amounted to approximately RMB285 million mostly spent on two main projects: (1) automotive components capacity expansion in Qingdao base and (2) new production base in Hexi Industrial Park, Liuzhou, with funds raised in the market and allocated from internal resources of the Group. Upon completion in 2013, the Qingdao project will provide the Group production facilities with an estimated annual capacity of 600,000 sets of components and 50,000 car assembly units. On the other hand, the new production base that occupies a total site area of 622 acres in Hexi Industrial Park has commenced construction, and is scheduled for completion and put into operation in phases from 2012 onwards. Upon completion of all phases of the new production base, its production capacity is expected to double that of the existing Liuzhou facilities. The Group has also planned to reserve space in the new production base so as to prepare room for any future relocation of the existing production facilities necessitated by social development or upgrading of equipment.

All along, the Group envisages the importance of innovations in fostering growth of Wuling Motors. In 2011, the Group continued to strengthen technological innovations and new products development, introduce new products to support market expansion. Throughout the year, the Group pushed R&D efforts in various new products including Baojun 630 passenger vehicle parts, Wuling Rongguang rear lower body welding parts, loader engine rear cover, loader roof assembly, V2 mobile police car, V2 school bus, V210 diesel vehicles and CNG/LNG dual-fuel-powered cars. In addition, the Group also put great efforts in R&D for new energy vehicle engine, driving motor, extended range device and low energy consumption engine for transformation and upgrading of engine products, and continuously enhancing competitiveness of products. With the implementation of these R&D projects on new products, which rendered strong support for structural adjustment of product mix and new market developments, the Group has successfully enhanced its operation standards and competitive strength, thereby solidifying its leadership in the industry.

The Group continued to implement internal structure integration and business process optimization for its principal subsidiary Wuling Industrial, during which the Group restructured the manufacturing, quality control, procurement and logistics operational systems of the subsidiary. In addition, various management units in the subsidiary including human resources, finance and administration departments were streamlined. Furthermore, we also implemented an in-depth optimization program for more than 50 main business processes of the Group's specialized vehicles and automotive components segments. With the gradual and organised reforms to the corporation in recent years, the Group manages to attain stable operations and its overall operating efficiency has been significantly improved.

The Group adopts a two-pronged approach in respect of personnel training and performance management. To maintain a wealth of intellectual resources which is essential for enhancing the Group's potential in product development, manufacturing, management and marketing, the Group recruits, develops and retains highly qualified technical personnel. Concurrently, the Group implements the ongoing target performance management system to further examine the performance assessment standards designed for regional factories and functional departments, which aims to define objectives formulation, breakdowns, and continue to refine and optimize the means of performance evaluation. By means of setting a clear specification and comparing the responsibilities and corresponding jobs delivered by management, the Group is able to integrate target achievements and performance evaluation seamlessly. Through the establishment of a customer-oriented mode of thinking and behavior patterns across various departments and regional factories, and its actual practice in daily operations, the Group has successfully created a working atmosphere that emphasizes "Target Achievement and Result Orientation". At the same time, the Group's principal subsidiary Wuling Industrial has undertaken a comprehensive review of its human resources and accordingly revised its staff designation, job allocation and salary review, which has greatly improved its efficiency in deployment of human resources, while strengthening the Group's competitive edges for sustainable growth.

Looking forward, on the back of continuous enhancement in management and operation standards, and with joint efforts of all staff and business partners, we are confident that the Group will continue to grow vigorously and lead our way towards a brighter and more prosperous future. We will make every endeavor to create value for the Group, thereby bringing promising returns to our shareholders and investors.

Sun Shaoli
Chairman
28 March 2012

Results and Performances

I am pleased to present the audited results of Wuling Motors Holdings Limited for the year ended 31 December 2011.

Following two consecutive years of robust growth buoyed by the favourable regulatory environment, the automobile market in China experienced a cooled down session in 2011. Total number of motor vehicles sold recorded a slight increase of 2.5% compared to prior year. A cyclical downturn was even happened to the commercial-typed vehicles segment where a decline was recorded over the year. In addition to the cessation of the favourable regulatory environment, increasing competition and rising production costs brought further pressure on the automobile industry in China. Nevertheless, our competitive strength in the market placed us in a better position facing with this market setback. During the year of 2011, the Group recorded total revenue of RMB10,908,602,000, maintained at a similar level as compared to prior year.

Gross profit for the year under review was RMB971,715,000, representing a decline of 10%, which was mainly due to the combined adverse effects of a highly competitive business environment and the increasing production costs. Accordingly, net profit of the Group declined by 25.2% to RMB136,455,000 for the year. Meanwhile, profits attributable to the owners of the Company was RMB69,813,000, representing a decrease of 10.1%. Increase in the effective equity interests of the Company in Wuling Industrial as compared to prior year, which was used as the basis of calculation of the profits attributable to the owners of the Company, gave rise to certain compensational effects on the results for this year. Same as prior year, this year results included a gain arising from the fair value adjustments of the convertible notes issued by the Company which amounted to RMB35,526,000 for the year.

In consideration of the operating results and the financial position of the Group, the board of directors (the "Board") has decided to declare a final dividend of HK0.5 cent per share for the year ended 31 December 2011, which together with the interim dividend declared for the first half of the year, making a total of HK1.5 cents for the year, representing approximately 20% of the profits attributable to the owners of the Company for the year. The Board considers a transparent and stable dividend policy to be an important corporate policy for a listed enterprise and has determined to maintain a dividend policy under the guidance of a similar dividend payout ratio as of this year.

On 4 January 2011, the Company announced an open offer of not less than 167,229,341 new shares of the Company to the shareholders on the basis of one offer share for every six shares held on 8 March 2011 at HK$0.90 per Share (the "Open Offer"), details of which were disclosed in the Company's circular and prospectus dated 15 February 2011 and 9 March 2011 respectively, in which Wuling (Hong Kong) Holdings

To Transform challenges into **Opportunities** through Effective **Business** **Strategies**

Limited ("Wuling HK"), a substantial shareholder of the Company acted as the underwriter. Net proceeds from the Open Offer is estimated to be approximately HK$147,300,000, where 80% of which is intended to be used for financing the business and operations of the Wuling Industrial Group and the remaining to be used as general working capital of the Group. On 29 March 2011, in accordance with the Open Offer, a total number of 167,229,341 new shares were issued by the Company, in which a total number of 133,363,975 new shares were issued to Wuling HK. Net proceeds intended to be used for the business and operations of Wuling Industrial Group had been injected into Wuling Industrial by way of an increase in its registered and paid up capital in accordance with our respective equity interests in Wuling Industrial in July 2011.

The Open Offer has not only further strengthened the financial position of the Group, but also resulted in an increase of the shareholding interests of Wuling HK in the Company, which is considered to be beneficial to the future development of the Group. In June 2011, in order to clearly reflect the nature of the principal business activities and to provide a new corporate identity and image of the Group, the name of the Company has been changed to "Wuling Motors Holdings Limited".

Opportunities and Challenges

The automobile industry in China experienced a challenging environment in 2011 in which total number of motor vehicles sold increased slightly by 2.5% to 18,500,000 vehicles, represented the lowest growth for the past three years. Whereas, the annual sale volume of the commercial-type vehicles has even experienced a decline. The difficulties faced by the automobile industry in China during the year were summarized below:

i. Cessation of some of the stimulus programs, in particular the direct subsidy programs, which directly reduced the consumption of motor vehicles;

ii. The problem of traffic congestion and the government policy in restricting the usage of roads by the private vehicles which had adversely affected the buying sentiment of the consumers;

iii. The increasing labour costs and raw materials prices which drove up production costs in the manufacturing sector; and

iv. The implementation of the regulatory measures by the central government, including the tightening of the financing activities, in alleviating the inflationary pressure on the local economy led to uncertainties in the market.

As stated in our previous annual reports, notwithstanding the favourable business environment in previous years, the Group has never underestimated the risks associated with excessive capacities and regulatory changes. Therefore, apart from implementing appropriate capacity expansion strategies, the Group has also undertaken quality services oriented and technical re-engineering programs to further strengthen our product quality standard and technical capability so as to stay competitive in the industry. This combined strategy was proved to be important in this challenging environment.

As such, despite the unfavourable market condition, the Group had continued to deliver a set of solid results for the year 2011.

The Group is full of confidence in the long term growth potential of the China automobile industry and realizes in business, challenges and opportunities are indistinguishable to each other. An effective business model can transform challenges into opportunities, which to a great extent, relies on the determined goals and effective strategies of the enterprise.

To cope with the challenges as well as to grasp the opportunities in the automobile industry, the Group has been conscientiously undertaken the following strategies and programs:

a. Technical re-engineering and upgrading projects such as certain specialization programs in our engines and automotive components divisions for the purpose of implementing vertical integration of our existing products, as well as to supplying new lines of products to our core and new customers;

b. Business expansion programs aiming at other car manufacturers in the PRC to develop a healthy diversification of businesses of our (1) engines and parts and (2) automotive components divisions;

c. Various capacity expansion programs in our automotive components and specialized vehicles divisions through the setup of the new production facilities located in Qingdao and Liuzhou, to enhance productivity and to increase capacity to cope with the increasing demands coming from our core and new customers;

d. Strengthening of the technical capability through research and innovation with market oriented strategies to intensify new product development projects, such as the launch of various new models of specialized vehicles, including the V2 mini-van and new energy vehicles such as electrical community car, electrical sight-seeing vehicle and electrical mini-truck for aiming at both the local and international markets for improving the overall profitability; and

e. Upgrading the operation systems with the objective to improve efficiency and performance standards as well as to contain cost of production in order to stay highly competitive in the market.

Outlook

The Company envisages business environment in China to be tough and challenging in the years ahead. Unfavorable market environment will continue to adversely affect the operating results of the automobile related enterprises. Meanwhile, inflationary pressures in the local economy will cause the government to be more prudent in advocating supporting programs to the economy. However, being the world largest automobile market, the Company is full of confidence and considers the existing challenges may perhaps serve as a timely health check to the China automobile industry, which will be beneficial to the industry in the long run. Despite uncertainties under current market condition, the Company expects the China economy will continue to grow in a considerable pace. Gradual increase of household income will continue to encourage consumption of motor vehicles, whereas implementation of appropriate regulatory measures will help to stabilize short term market volatility and bring long term benefits to the country.

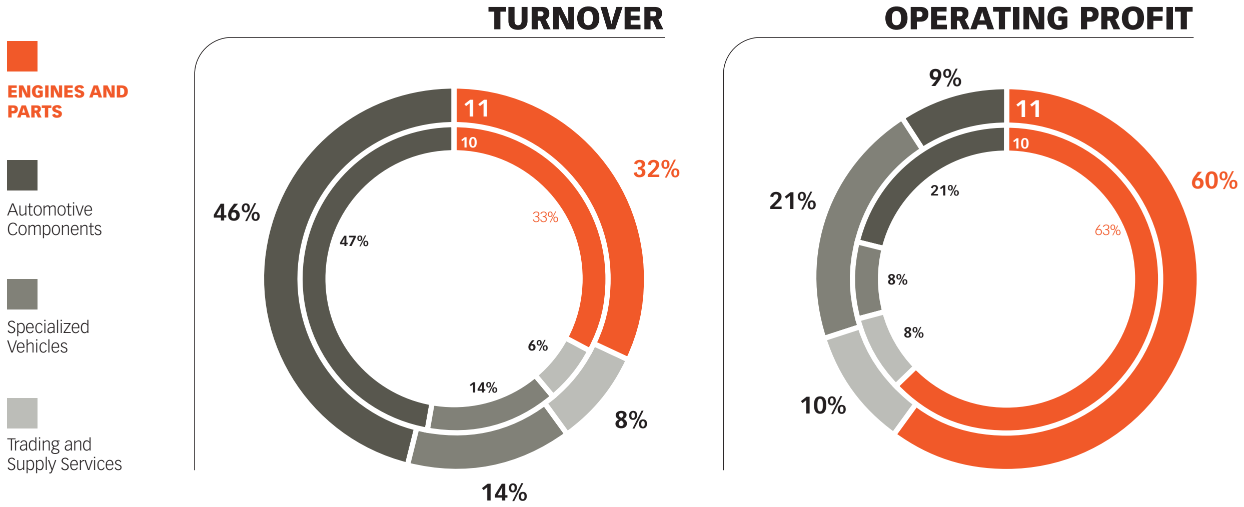
Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the China automobile industry will continue to be strengthened. With the continuous supports from Liuzhou Wuling, our controlling shareholder and joint venture partner, and our customers, we firmly believe the business prospect of the Group is promising and will bring rewards to our shareholders.

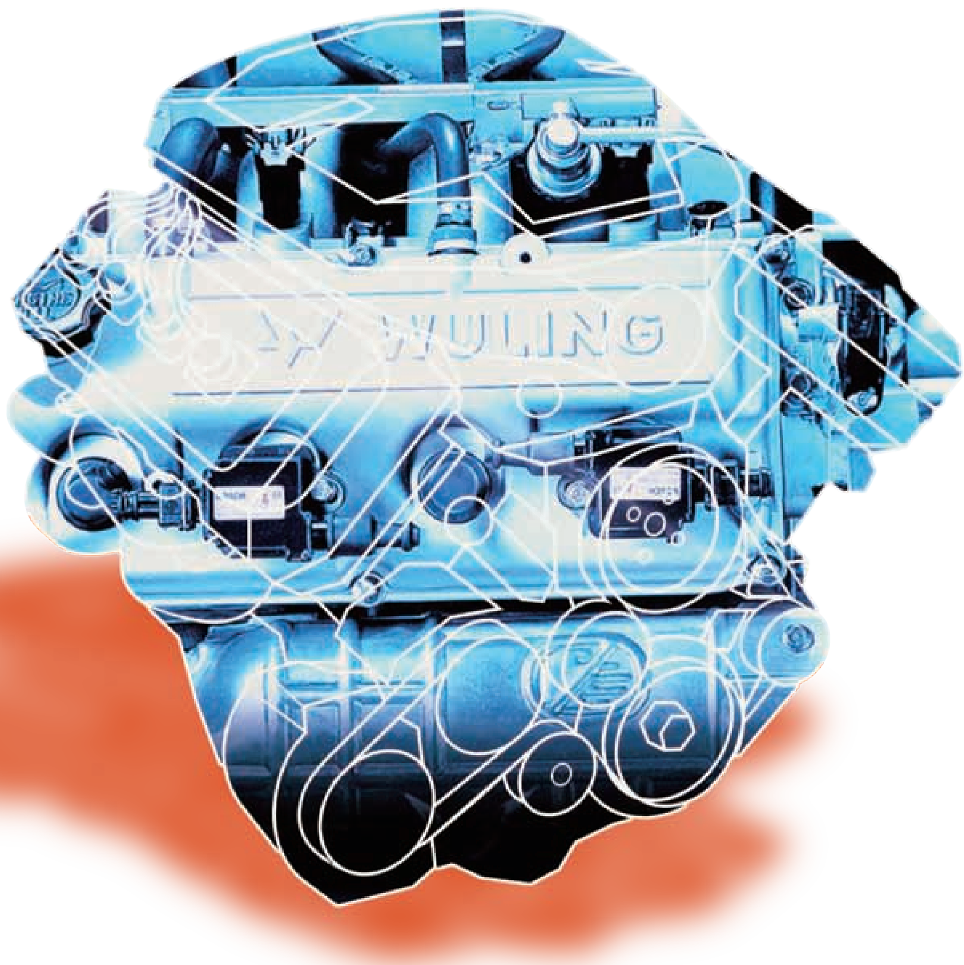
Lee Shing
Vice-chairman and Chief Executive Officer
28 March 2012

By Key Business Segments –

ENGINES AND PARTS

Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji")





Turnover (based on external sales) of the engines and parts division for the year ended 31 December 2011 was RMB3,495,062,000, representing a decrease of 2.6% as compared to prior year. Operating profits for the year was RMB146,736,000, representing a decrease of 31.5% as compared to prior year.

A decline in the gross margin resulting from higher production and labour costs, coupled with the cost incurred for the start-up operation of new foundry facilities had adversely affected the profitability of the division. Nevertheless, the engines and parts division undertaken by Wuling Liuji continued to be the major contributor to the Group's operating profits for the year 2011.

Notwithstanding the unfavourable market condition during the year, Wuling Liuji continued to register a similar sale record as compared to prior year due to the continuous strong market demands for the main models. Total sale volume maintained at about 700,000 units. Sale to SGMW continued to be the main contributor which accounted for approximately 86.7% of the total sales for the year. The remaining balances were supplying to other motor vehicles' manufacturers including FAW Haima, Gonow Auto, Ziyang Nanjun Auto, Beiqi Foton and Mianyang Huaxin (一汽海馬，吉奧汽車，資陽南駿汽車，北汽福田，綿陽華鑫). Wuling Liuji has also continued to export its product to the overseas markets including Indonesia, Turkey, Pakistan, Thailand and the United States. Meanwhile, the new foundry facilities of cylinder block and cylinder head had also commenced operation in 2011 and had undertaken certain business development projects for the existing and potential customers.

Operating margin declined to 4.2% in this year resulting from the undesirable effect of higher production costs and the cost incurred for the start-up operation of the aforementioned new foundry facilities which started operation in 2011.

Total production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, whereas the new foundry facilities of cylinder block and cylinder head which started operational in 2011 is having a targeted capacity of 600,000 units. Wuling Liuji will continue to monitor the growth of customers' businesses volume in order to derive an optimum capacity and utilization level for its operations.

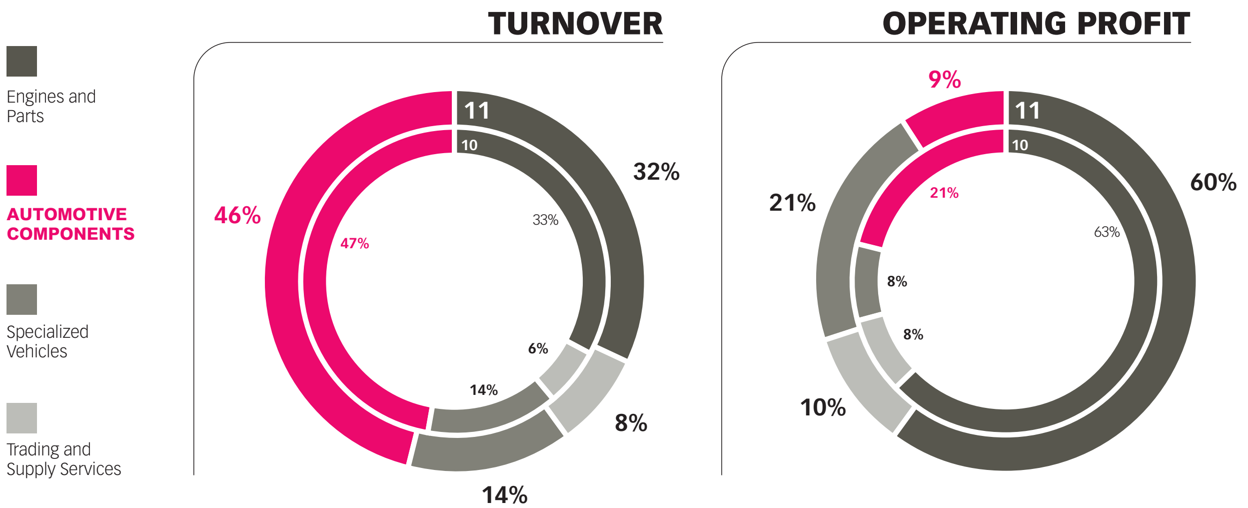
The engines produced by Wuling Liuji are mainly for the economical-typed mini-vehicles. Its products are state-designated products exempt from quality surveillance inspection. The "LJ" model has also been recognized as a reputable trademark in the Guangxi Province. Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, so as to maintain its competitiveness in this market segment. The Group believes the successful launch of the nonferrous metallic parts and the foundry products will enhance the business potential and the technical capability of Wuling Liuji which will contribute to its business performance in the coming years.

The Group expects the strong market demands for SGMW and other customers' models will continue in 2012 which will benefit the business performance in this division. In addition, it is expected that scale operation of the new foundry facilities of cylinder block and cylinder head for the full year of 2012 will gradually bring positive effects and will also provide additional business growth to the division.

By Key Business Segments –

AUTOMOTIVE COMPONENTS

Liuzhou Wuling Motors United Development Limited ("Wuling United")



Turnover (based on external sales) of the automotive components division for the year ended 31 December 2011 was RMB5,049,561,000, representing a decrease of 3.5% as compared to prior year. Affected by the adverse effects of a high competitive business environment and the increasing production and labour costs during the year, operating profits for the year declined to RMB19,487,000.

The automotive components division of the Group, being the key supplier supplying a majority portion of the key automotive components to SGMW, experienced a challenging business environment during the year. Sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, continued to be the main contributor which accounted for nearly 95% of the total turnover in this business division. As an important milestone to the Group, part of the sales to SGMW were supplying for the production of their first passenger vehicles model — Baojun 630 (寶駿 630), which was also a new business line of the Group. Meanwhile, sales to other customers, including Dongfeng Yuan, Beiqi Foton, Hebei Changan and Qirei (東風渝安、北汽福田、河北長安及奇瑞) comprising specific automotive components amounted to approximately RMB250 million, which maintained at a similar level as compared to prior year.

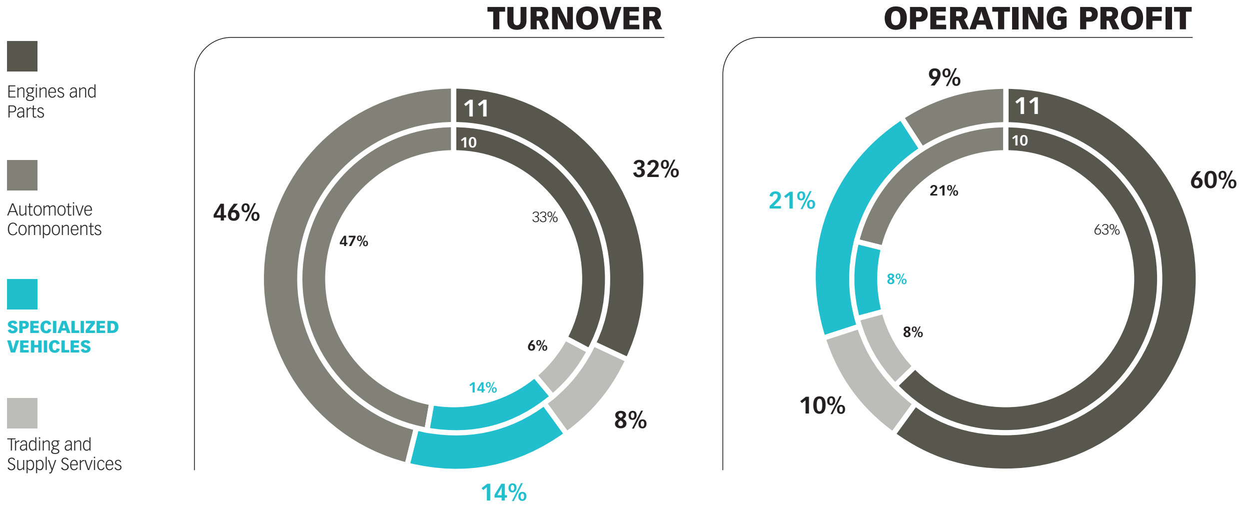
The automotive components division of the Group currently operates the largest manufacturing base of automotive components in the south-western part of China and is recognized as the Top 100 Automotive Components Enterprise in China in term of its comprehensive strength of competitiveness. Its six specialized facilities cover the products range of the brake, the chassis assembly, automotive accessories, plastic components, welding parts and the seat sets. Main facilities are located in Liuzhou and Qingdao which ensure closer proximity to the customer's needs in both the northern and southern part of China. Maximum capacity, for both Liuzhou and Qingdao, at present can reach 1,300,000 units/sets a year.

The Group expects the growth of business of SGMW from the existing models and the launch of new models will continue to boost the revenue growth of the automotive components and accessories division in the coming years, whereas, development of business programmes for new customers is also progressing satisfactorily. In view of this, the Group has been actively undertaken large scale capacity expansion and upgrading programmes which includes: (1) the expansion project for the Qingdao facilities with a target annual capacity of 600,000 units for key automotive components on full completion in 2013; and (2) the new facilities in Hexi Industrial Park, Liuzhou, which has a site area of over 400,000 sqm., and is planned to gradually accommodate the additional capacity as well as certain relocated facilities from the city district due to urban development. The Group considers these large scale expansion projects are critical to the continuous development of the Group considering the great business potential of the China automobile industry.

With its long and established industry experiences, the automotive components division of the Group is particularly strong in product design and development. Its capability in supplying a wide range of products provides a one-stop shop services to the customers, whereas, the scalability of its production facilities ensures the particular needs of our key customer can be properly taken care of. Apart from its well and established commercial-type vehicles production capability, strategically, the automotive component division has planned to gradually extend its business focus to the higher value-added passenger vehicles segment to further the profitability performance for the Group.

Besides actively upgrade its product standard and capability to cope with the needs of the customers, the Group will also implement appropriate corporate restructure programmes so as to stay competitive in the industry. For the purpose of further cost saving and efficiency enhancement, the Group has planned to integrate the operations of Wuling United into Wuling Industrial, which will eventually lead to the dissolution of Wuling United. The Group believes the implementation of this series of enhancement projects on organization structure, quality control and production management is important in strengthening the market position of the Group facing with the competitive business environment.

By Key Business Segments –
SPECIALIZED VEHICLES
Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles")



Turnover (based on external sales) of the specialized vehicles division for the year ended 31 December 2011 was RMB1,474,644,000, representing a decrease of 5.2% as compared to prior year. Operating profits for the year was RMB46,554,000, representing an increase of 73.3% as compared to prior year. Despite unfavourable business condition resulting from the weakening market sentiment and the cessation of the government subsidy programs, the specialized vehicles division was able to deliver an improved results due to an improvement in the gross margin and an effective control over the selling and distribution cost.

During this year, due to slower demand and keen market competition, Wuling Specialized Vehicles sold approximately 37,000 specialized vehicles, representing a drop of 10% as compared to prior year. Its main products comprised various types of multi-purpose mini-vans, redecorated vans and mini-container wagons, etc. Besides, the specialized vehicles division continued to actively launch new models to expand its product range in this year which included the introduction and promotion of mini school buses and various new energy electrical vehicles.

Wuling Specialized Vehicles operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. Wuling Specialized Vehicles produces more than a hundred different types of specially-designed vehicles which serves the particular needs of customers, such as sightseeing bus, golf cart, police car, mini-fire engine, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck and electrical vehicles, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Products are mainly sold in the domestic market covering the 24 provinces and cities across the country, and the overseas markets such as USA, Korea, Saudi Arabia, South Africa, UAE and Vietnam, etc.

The capability of Wuling Specialized Vehicles in the car assembly industry is originated from the long-standing industry experiences of Wuling. In fact, the models designed and developed by Wuling Specialized Vehicles are branded as "Wuling", which is itself a benchmark of quality products and services in the market. Wuling Specialized Vehicles is currently the first enterprise which possesses the capability for manufacturing new energy electrical mini-truck in China. The division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Current products include electrical sight-seeing bus, electrical community car and electrical mini-truck, etc. The new energy vehicle is an important part of the corporate strategic plan.

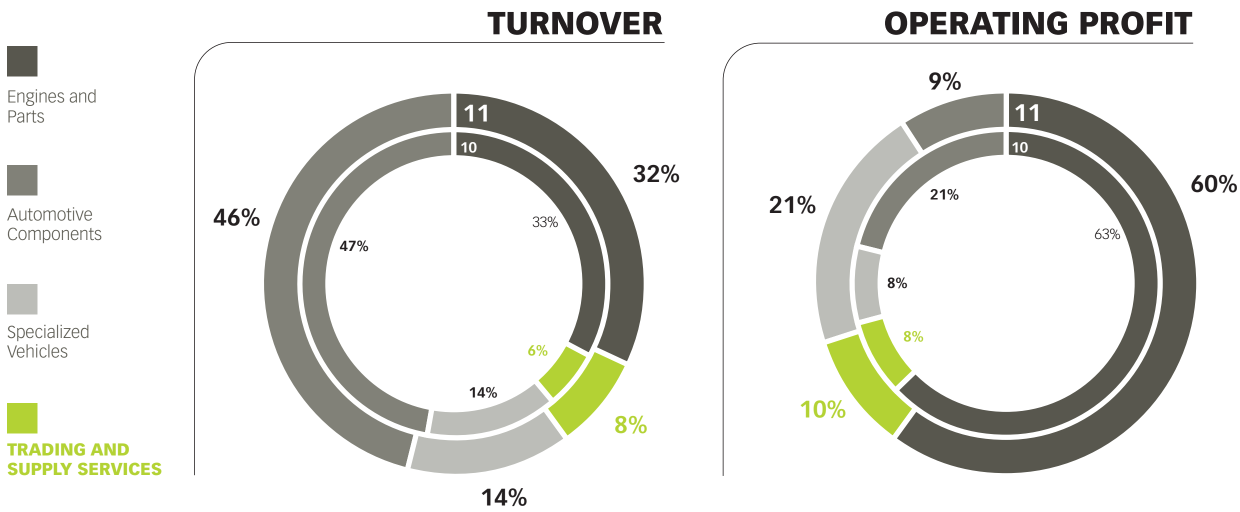
Total capacity of Wuling Specialized Vehicles at present is about 60,000 vehicles a year, primarily located in Liuzhou. The Group has also operated a small production facility in Qingdao with a capacity of 10,000 vehicles to facilitate geographical diversification which enables quality services and cost effectiveness.

Going forward, Wuling Specialized Vehicles will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Strategically, Wuling Specialized Vehicles planned to reduce the production of the lower margin redecorated vans and mini-container wagons products so as to reserve more capacity to other more profitable models. Some of these models such as the sight-seeing cars and mini school buses have gradually achieved respective prominent market share in their particular market segment. Accordingly, more active marketing programmes for the new models will be launched in the coming years for promoting its growth potential.

By Key Business Segments –

TRADING AND SUPPLY SERVICES

Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial")



Turnover (based on external sales) of the trading and supply services division for the year ended 31 December 2011 was RMB888,108,000, representing an increase of 29.5% compared to prior year. Inter-segment sales which were primarily contributed from the sales to Wuling United and Wuling Specialized Vehicles was RMB1,013,514,000. Operating profits for the year was RMB22,812,000, representing a decrease of 11.5% compared to prior year.

The trading and supply services undertaken by Wuling Industrial continued to provide a steady income stream to the Group.

Apart from the inter-segment sales, revenue from the trading and supply services was mainly generated from SGMW and its suppliers, which relied on Wuling Industrial to provide the necessary factors of production such as the raw materials, water and energy supply through a centralized procurement platform. This centralized procurement model guaranteed benefits from bulk purchases and scale operations to the participated entities and ensured their competitiveness in the industry.

Headquartered in Liuzhou in the Guangxi Province and supported by a total number of about 6,600 staff members and 5,000 workers (inclusive of the staff members of the three aforementioned subsidiaries), Wuling Industrial enjoys the close proximity advantage to the key customer and perform a core and effective functions to the key customer and to its subsidiaries.

The primary corporate objectives of Wuling Industrial can be separated into the following three main areas:

(1) to expedite the growth of the three main businesses in the automotive components industry with the market principles of supplying good quality vehicles at competitive price to the customers and with the ultimate targets to secure and reinforce the leading position in the market;

(2) to promote a coherent working environment among different entities which include the group companies, its customers, suppliers and other services providers to ensure common corporate goals and to determine appropriate operational policies; and

(3) to design and carry out effective procurement and resources allocation programmes to enhance efficiency and competitiveness of the group companies as well as the entities serviced by the Group in the industry.

During the year, the trading and supply services division remained stable resulting from the continuous strong market demands for the vehicles produced by SGMW.

The growth of business of SGMW and other customers from the existing models and the launch of new models will continue to provide stable growth to the revenue of the trading and supply services division of the Group.

Financial Review

Statement of Comprehensive Income

Group's turnover for the year ended 31 December 2011 was RMB10,908,602,000, representing a slight decrease of 1.4% as compared to prior year, despite the unfavourable business environment as affected by the increasing competition and the cessation of the government direct subsidy programs.

Gross profit for the year under review was RMB971,715,000, representing a decrease of 10.0% as compared to the prior year which was mainly due to the combined adverse effects of a highly competitive business environment and the increasing production and labour costs. Accordingly, gross margin of the Group eased to 8.9% from 9.8% recorded in prior year. The single digit gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Net profit of the Group declined by 25.2% to RMB136,455,000 for the year. Meanwhile, profits attributable to the owners of the Company was RMB69,813,000, representing a decrease of 10.1%. Increase in the effective equity interests of the Company in Wuling Industrial as compared to prior year, which was used as the basis of calculation of the profits attributable to the owners of the Company, gave rise to certain compensational effects on the results for this year. Besides, same as prior year, this year results had also included a gain arising from the fair value adjustments of the convertible notes issued by the Company which amounted to RMB35,526,000 for the year.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB83,527,000 for the year ended 31 December 2011, representing a decrease of 15.6% as compared to prior year primarily as a result of a decrease in the sales of scrap materials during the year.

During the year, the Group disposed its non-core and loss-making stockbroking division at a consideration of HK$4,500,000. The disposal resulted in a loss on disposal amounted to RMB27,000.

Distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB245,548,000 for the year ended 31 December 2011, representing a decrease of 15.3% as compared to prior year. The decrease was mainly attributable to the decrease in the transportation cost incurred by the automotive components and the specialized vehicles divisions as a result of their respective cost control programs.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB551,846,000 for the year ended 31 December 2011, which was about the same as prior year. The result was in line with the more or less stable business volume achieved by the Group during the year.

Research and development expenses for the year ended 31 December 2011 amounted to RMB53,589,000, representing a decrease of 36.1% as compared to prior year. The reduction was a result of the prudent attitude of the management facing with the unfavourable market condition.

Finance costs for the year ended 31 December 2011 amounted to RMB74,354,000, representing an increase of 16.3% as compared to prior year, which was mainly due to the increases in borrowings and the interest rates during the year. The balances had also included the finance cost of RMB8,412,000 incurred for the convertible loan notes issued by the Company.

Earnings per share on fully diluted basis for the year ended 31 December 2011 was RMB3.16 cents representing a decrease of 33.6% as compared to prior year. The decrease was partly attributable to the increase in the number of shares in issue on completion of the below-mentioned open offer exercise during the year.

Financial Positions

As at 31 December 2011, total assets and total liabilities of the Group stood at RMB9,697,379,000 and RMB8,492,330,000 respectively.

Non-current assets amounted to RMB1,430,462,000 comprised mainly property, plant and equipment, prepaid lease payments and deposits paid for acquisition of non-current assets, etc.

Current assets amounted to RMB8,266,917,000 comprised mainly inventories of RMB551,976,000, trade and other receivables of RMB6,128,582,000, bill receivables discounted with recourse of RMB232,736,000, cash and bank balances (inclusive of pledged bank deposits) of RMB1,347,984,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,565,886,000 was recorded as trade and other receivables in the statement of financial position. These receivables balances were subject to normal commercial settlement terms. Total cash and bank balances amounted to RMB1,347,984,000, in which RMB498,138,000 were pledged bank deposits to secure the banking facilities offered to the Group. For the purpose of containing finance costs and to facilitate greater flexibility in the usage of funds, the Group pursued a new financing strategy during the year from which the main sources of finance were being shifted from the higher interest bearing bill receivables discounted activities to short term bank borrowings. Accordingly, a substantial reduction in the amount of bills receivables discounted with recourse was recorded as at 31 December 2011.

Current liabilities amounted to RMB8,049,605,000, comprised mainly trade and other payables of RMB5,914,080,000, advances drawn on bill receivables discounted with recourse of RMB232,736,000, amounts due to shareholders of RMB577,979,000, provision for warranty of RMB124,717,000, bank borrowings — due within one year (inclusive of bank overdraft) of RMB1,179,879,000 and derivative financial instrument of RMB18,843,000. Amount due to shareholders recorded under current liabilities refers to the account payable to Liuzhou Wuling, the ultimate controlling shareholder of the Company and the joint venture partner of Wuling Industrial. As explained above, due to the change of the Group's financing strategy, short term bank borrowings replaced bill receivables discounted activities to become the main source of finance of the Group. Accordingly, short term bank borrowings were increased, whereas, advances drawn on bill receivables discounted were decreased substantially as at 31 December 2011. The derivative financial instrument represented the fair value of the conversion option embedded in the convertible loan notes by an independent valuer as at 31 December 2011.

Net current assets increased to RMB217,312,000 as at 31 December 2011 from RMB133,006,000 as at 31 December 2010. Non-current liabilities amounted to RMB442,725,000, comprised mainly bank borrowings of RMB23,158,000, the liability component of the convertible loan notes of RMB78,524,000 and the amount due to shareholders of RMB326,764,000.

Liquidity and Capital Structure

The Group was operating under a net cash inflow position for the year ended 31 December 2011, in which net cash from operating activities amounted to RMB43,277,000.

As at 31 December 2011, the Group maintained cash and cash equivalents of RMB844,729,000, which maintained at a similar level as compared to 31 December 2010.

Group's bank borrowings and overdraft increased to RMB1,203,037,000 as at 31 December 2011 as a result of a substantial increase in short term bank borrowings. As explained above, for the purpose of containing finance costs and to facilitate greater flexibility in the usage of funds, the Group pursued a new financing strategy during the year from which the sources of finance were being shifted from the higher interest bearing bill receivables discounted activities to short term bank borrowings. Accordingly, short term bank borrowings were increased, whereas, advances drawn on bill receivables discounted were decreased substantially as at 31 December 2011. The Company considers such change in the financing structure will have no material impact on the liquidity position of the Group. Apart from bank borrowings and overdraft, the Company also maintained a five-year convertible loan notes with principal amount of HK$100,000,000 with maturity date on 12 January 2014 and a shareholder loan of HK$100,000,000 owed to Wuling Hong Kong (Holdings) Limited ("Wuling HK"), the controlling shareholder of the Company.

As 31 December 2011, the Group had a net gearing ratio of 29.3% calculated based on the Group's total bank borrowings less bank balances and cash of the Group divided by the Group's net assets. The Company will closely monitor the financial and liquidity position of the Group, as well as the situation of the financial market from time to time in arriving as an appropriate financing strategy for the Group.

Issued capital increased to RMB4,524,000 as at 31 December 2011 from RMB3,961,000 as at 31 December 2010. On 28 March 2011, in accordance with the open offer of new shares by the Company to the shareholders announced on 4 January 2011, a total number of 167,229,341 new shares were issued at HK$0.90 per share by the Company, in which a total number of 133,363,975 new shares were issued to Wuling HK. Net proceeds raised from the Open Offer amounting to approximately HK$147,306,000, which were mainly used for financing the business and operations of the Wuling Industrial Group and the general working capital of the Group, has further strengthened the liquidity and financial position of the Group.

On 27 May 2011, pursuant to a special resolution passed by the shareholders, the entire share premium account of the Company amounting to RMB466,530,000 was reduced and transferred to the contributed surplus account of the Company. From which, an amount of RMB528,202,000 under the contributed surplus account of the Company was simultaneously applied to eliminate the accumulated losses of RMB528,202,000 carried by the Company as at 31 December 2010. The elimination of the accumulated losses gave the Company greater flexibility to declare dividends to the shareholders at an earlier opportunity in the future as and when the Board considers appropriate.

Total shareholders' equity comprised primarily the share premium account, contributed surplus, other reserves and retained profits, amounted to RMB486,489,000 as at 31 December 2011. Net asset value per share was RMB41.6 cents as at 31 December 2011.

Dividend

The Board has proposed to pay a final dividend of HK0.5 cent per share (2010: Nil) to shareholders whose names appear on the register of members of the Company on Tuesday, 5 June 2012. This together with the interim dividend of HK1 cent per share being paid, gives a total of HK1.5 cents per share for the year (2010: nil). Subject to the approval by the shareholders of the final dividend at the forthcoming annual general meeting of the Company to be held on Monday, 28 May 2012, dividend warrants will be dispatched to shareholders on or about 14 June 2012.

Closure of Register of Members

The register of members will be closed from Wednesday, 23 May 2012 to Monday, 28 May 2012, both days inclusive, on which no transfer of shares will be effected. In order to qualify for attendance of annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 22 May 2012.

The register of members will be closed from Friday, 1 June 2012 to Tuesday, 5 June 2012, both days inclusive, on which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Thursday, 31 May 2012.

Pledge of Assets

At 31 December 2011, the properties held by the Group in Hong Kong with an aggregate value of RMB27,504,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB498,138,000 and bills receivables discounted with recourse amounting to RMB232,736,000 were pledged to the banks mainly to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

Exposure to Fluctuation in Exchange Rates

At 31 December 2011, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB29,171,000, Hong Kong dollar bank overdraft of an aggregate amount of RMB5,117,000, Hong Kong dollar shareholder loan of an aggregate amount of RMB81,927,000, Hong Kong dollar bank deposits of an aggregate amount of RMB17,007,000, Hong Kong dollar trade payable of RMB67,000 and Hong Kong dollar convertible loan notes with principal value amounting to RMB78,524,000. In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be minimal.

Commitments

At 31 December 2011, the Group has outstanding commitments, contracted but not provided for in the financial statements, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB287,095,000, which included primarily the outstanding consideration payable for the acquisition of a factory premise and certain production facilities in Qingdao and four pieces of industrial land in Liuzhou as announced in July 2010.

Contingent Liabilities

At 31 December 2011, Wuling Industrial, a subsidiary of the Company, provided a corporate guarantee to a financial institution to the extent of RMB200,000,000 in respect of revolving banking facilities granted to Liuzhou Wuling. The directors do not consider it is probable that a claim will be made against Wuling Industrial under this corporate guarantee.

Human Resources and Remuneration Policy

At 31 December 2011, the Group had approximately 11,600 employees, including 6,600 staff members and 5,000 workers. Total staff costs for the year ended 31 December 2011 were approximately RMB654,014,000. The remuneration policy was reviewed in line with the current applicable legislation, market conditions as well as the performance of the Company and the individual.

Besides, the Remuneration Committee of the Company, comprising the three independent non-executive directors, namely Mr. Zuo Duofu (Chairman), Mr. Yu Xiumin and Mr. Ye Xiang, established under the Board, will also make recommendations on or give approval to the remuneration policy, structure and remuneration packages of the directors and the senior management. The terms of reference of the Remuneration Committee of the Company are disclosed on the website of the Company.

The Group regards human resources as an essential element for the growth of a corporation and therefore pays serious attention to its human resources management. The Group maintains a set of established and comprehensive management policy aiming at promoting common corporate goals among employees. The policy which covers the remuneration structure, training and staff development encourages healthy competitive environment which will bring mutual benefits to both the Group and the employees.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

1. Mr. SUN Shaoli
2. Mr. LEE Shing
3. Mr. WEI Hongwen
4. Mr. ZHONG Xianhua
5. Ms. LIU Yaling
6. Mr. ZHOU Sheji
7. Mr. ZUO Duofu
8. Mr. YU Xiumin
9. Mr. YE Xiang

EXECUTIVE DIRECTORS

Mr. SUN Shaoli
Chairman

Mr. Sun, aged 56, chairman of the Board, was appointed as an executive director on 10 September 2007 and is currently a member of the Nomination Committee. Mr. Sun obtained a master degree in business administration from Harbin Industrial University in 1988 and is a senior economist. Mr. Sun has more than 29 years of experience in the automobile manufacturing industry. Mr. Sun is currently the chairman of the board of directors of Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), director of Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") and Wuling (Hong Kong) Holdings Limited ("Wuling HK"), which are directly and indirectly wholly-owned subsidiaries of Liuzhou Wuling. Wuling HK is currently a substantial shareholder of the Company which is beneficially interested in approximately 37.05% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report. Mr. Sun is also currently the chairman of the board of directors of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") and Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji", a subsidiary of Wuling Industrial). Wuling Industrial is a joint venture formed by the Company and Liuzhou Wuling and is also a principal subsidiary of the Company.

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

Mr. Lee, aged 54, vice-chairman of the board of directors and the chief executive officer, was appointed as an executive director on 22 June 2006 and is currently a member of the Nomination Committee. Mr. Lee has extensive experience in the trading and manufacturing business in Hong Kong and the PRC. Mr. Lee is also the vice-chairman of Wuling Industrial, as well as a director of Wuling Liuji, Liuzhou Wuling Motors United Development Limited ("Wuling United") and Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles"), all being subsidiaries of Wuling Industrial. Besides, he is currently a member of the Committee of the Chinese People's Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is the sole shareholder and sole director of Dragon Hill Development Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 24.06% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report. Besides, Mr. Lee is an executive director of Grand TG Gold Holdings Limited (Stock Code: 8299), a company listed on the GEM board of The Stock Exchange of Hong Kong Limited.

Mr. WEI Hongwen
Executive Director

Mr. Wei, aged 49, was appointed as an executive director on 10 September 2007. Mr. Wei obtained a master degree in economics from Sun Yat-Sen University in 1995 and is a professor level senior engineer. Mr. Wei has more than 29 years of experience in the automobile manufacturing industry. He is currently a director and the general manager of Wuling Industrial and the chairman of the board of directors of Wuling United and Wuling Specialized Vehicles, and a director of Wuling Liuji, all being subsidiaries of Wuling Industrial. Mr. Wei is in charge of the daily operations of our specialized vehicles, automotive engines and components manufacturing business. Mr. Wei is also a director and the chief executive of Liuzhou Wuling, and a director of Wuling Motors and Wuling HK, being substantial shareholders of the Company, which are beneficially interested in approximately 37.05% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report. Mr. Wei is also the vice chairman of SAIC-GM-Wuling Automobile Co., Ltd. ("SGMW"), which is a joint venture formed among Shanghai Automobile Industry (Group) Company, General Motors China and Liuzhou Wuling.

Mr. ZHONG Xianhua
Executive Director

Mr. Zhong, aged 53, was appointed as an executive director on 4 January 2010. Mr. Zhong is currently a director of Wuling Industrial and the vice president of Liuzhou Wuling, a substantial shareholder of the Company. He is also a director of Wuling United and Wuling Specialized Vehicles. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer and has over 24 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

Ms. LIU Yaling
Executive Director

Ms. Liu, aged 36, was appointed as an executive director on 22 June 2006. Ms. Liu has a post graduate education background. She is a qualified accountant in the PRC specializing in financial management. Ms. Liu gains her working experience in the automobile manufacturing industry and has approximately 13 years of experience in the finance and accounting profession in the PRC. Ms. Liu is a member of the International Association of Registered Financial Planners and an associate member of the Institute of Financial Accountants.

Mr. ZHOU Sheji
Executive Director

Mr. Zhou, aged 54, was appointed as an executive director on 10 October 2008. Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 23 years of experience in the management of a number of business sectors in China such as construction, international trade and information technology sectors. He is currently a vice general manager of Wuling Industrial, our principal subsidiary. Mr. Zhou is the sole shareholder and sole director of Gao Bao Development Limited, which is beneficially interested in approximately 3.82% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Xiumin
Independent Non-executive Director

Mr. ZUO Duofu
Independent Non-executive Director

Mr. YE Xiang
Independent Non-executive Director

Mr. Yu, aged 51, was appointed as an independent non-executive director on 22 June 2006. Mr. Yu holds a doctorate degree in engineering and has extensive experience in the research and teaching aspects of the automobile engineering. Mr. Yu is currently the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Zuo, aged 68, was appointed as an independent non-executive director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has nearly 30 years of experience in the media industry in the PRC. He is currently a representative of Congress of Writers' Representatives in the PRC and a member of president group of Guangdong Writer Association. Mr. Zuo is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. Ye, aged 48, was appointed as an independent non-executive director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited ("Vision Gain"), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 16 years of experience in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his founding of Vision Gain, Mr. Ye was the director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye is currently the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

SENIOR MANAGEMENT

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 47, currently chief financial officer and company secretary of the Company, is responsible for overseeing our finance, accounting and company secretarial functions. He is also a director of Wuling Industrial. Mr. Lai has more than 24 years of experience in finance, accounting and business management. Mr. Lai graduated from the University of Hong Kong and the Hong Kong Baptist University and holds a Bachelor of Arts degree and a Master of Science degree in Corporate Governance and Directorship respectively. He is currently a Member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a Fellow Member of the Association of Chartered Certified Accountants.

Mr. KUANG Jiazhen

Mr. Kuang, aged 59, is currently a director of Wuling Industrial, a director and the vice general manager of Wuling Liuji, our principal subsidiaries. He is also a director of Wuling United and Wuling Specialized Vehicles. Mr. Kuang graduated from Sun Yat-Sen University with a master degree in political economics in 1995 and is a senior economist. Mr. Kuang has over 43 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

Mr. WEI Houde

Mr. Wei, aged 58, is currently chairman of the labour union and the supervisor of Wuling Industrial and the chairman of the supervisory board of Wuling Liuji, Wuling United and Wuling Specialized Vehicles, our principal subsidiaries and the staff-nominated director of Liuzhou Wuling, a substantial shareholder of the Company. Mr. Wei graduated from Guangxi Education University with a master degree in investment economics in 1998 and is a political scientist. Mr. Wei has over 43 years of extensive experience in the party administration and corporate management of the automotive components industry.

Mr. YUAN Zhijun

Mr. Yuan, aged 45, is currently a director of Wuling Industrial, principal subsidiary of the Company. He is also a director of Wuling United and Wuling Specialized Vehicles and the vice general manager of SGMW. Mr. Yuan graduated from the Huazhong University of Science and Technology with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan has over 25 years of extensive experience in the production, product design and development, human resources and corporate management of the automotive components industry.

Mr. YANG Jianyong

Mr. Yang, aged 43, is currently the chief accountant of Wuling Industrial, our principal subsidiary, and is in charge of the accounting and financial management function. He is also a director of Wuling Liuji, Wuling United and Wuling Specialized Vehicles and is the vice general manager of Liuzhou Wuling, a substantial shareholder of the Company. Mr. Yang graduated from the Faculty of Accounting in the Central South University. His profession is accountant. Mr. Yang has been working in the accounting profession for about 22 years, and has extensive experience in cost management and the corporate financial system institutionalization aspects. Prior to his joining the Wuling Industrial, Mr. Yang was the senior finance executive controller of SGMW.

Mr. WEN Daizhi

Mr. Wen, aged 48, is currently the chief engineer of Wuling Industrial and a director and the general manager of Wuling Liuji, both of them being principal subsidiaries of the Company. He is also a director of Wuling United and Wuling Specialized Vehicles. Mr. Wen graduated from the Engineering Thermophysics Department of Tianjin University majoring in combustion engine — internal and possessed a postgraduate qualification in Power Machinery and Engineering of Guangxi University. His profession is senior engineer. Mr. Wen has over 26 years of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. LU Xiao

Mr. Lu, aged 42, is currently the vice general manager of Wuling Industrial, a principal subsidiary of the Company, he is in charge of marketing function, and is also the assistant to chief executive of Liuzhou Wuling. Mr. Lu graduated from Nanjing Polytechnic University with a master degree in industrial engineering in 2002. His profession is engineer. Mr. Lu has over 21 years of extensive experience in the marketing and corporate management of the automotive engines industry.

Mr. WANG Xu

Mr. Wang, aged 42, is currently the vice general manager of Wuling United, a principal subsidiary of the Company, and is also the assistant to chief executive of Liuzhou Wuling. Mr. Wang graduated from the Guilin University of Electronics Science specializing in the computer science management and information system. His profession is engineer. Mr. Wang has over 18 years of extensive experience in the production and corporate management of the automotive engines industry.

Mr. LUO Jianguo

Mr. Luo, aged 46, is currently the assistant chief engineer and the supervisor of the technical centre of Wuling Industrial, a principal subsidiary of the company. Mr. Luo holds a master degree in business administration from Guangxi University. His profession is senior engineer. Mr. Luo has over 24 years of extensive experience in the technical and corporate management of the automotive engines industry.

Mr. QIN Qibin

Mr. Qin, aged 49, is currently the assistant chief engineer and the quality control officer of Wuling Industrial, a principal subsidiary of the Company. Mr. Qin graduated from Huazhong University of Science with a master degree in business administration in 2005. His profession is senior engineer. Mr. Qin has been engaged in the automobile industry in China since his joining to Liuzhou Wuling in 1985. He has over 27 years of extensive experience in the product development and the quality management of the automotive components industry.

Mr. CHEN Xiaofeng

Mr. Chen, aged 37, is currently the general manager of the Shandong branch of Wuling Industrial, a principal subsidiary of the Company. Mr. Chen graduated from the College of Material Science and Engineering of Chongqing University. His profession is engineer. Mr. Chen has been engaged in the automobile industry in China since his joining to Liuzhou Wuling in 1997. He has over 14 years of extensive experience in the production operation, purchasing and supply chain management of the car assembly and automotive components industry.

Mr. LI Weimin

Mr. Li, aged 49, is currently the senior controller of the production department of Wuling Industrial, a principal subsidiary of the Company. Mr. Li graduated from Nanchang Hangkong University majoring in forging processes and equipment. His profession is senior engineer. Mr. Li has over 26 years of extensive experience in the production management and quality control of the automotive components industry.

The board of directors ("Board") of the Company is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2011.

The key corporate governance principles and practices of the Company are summarized as follows:

Corporate Governance Practices

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

(a) code provisions ("Code Provisions") which listed issuers are expected to comply with and to give considered reasons for any deviation; and

(b) recommended best practices ("Recommended Best Practices") for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

The Company has applied the Principles and the relevant Code Provisions as set out in the CG Code and some of the recommended best practices throughout the year ended 31 December 2011.

During the year the Company reviewed regularly its corporate governance practices to ensure compliance with the CG Code, which were revised in the current year.

The Company acknowledges the important role of its Board in providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations.

The Board

Responsibilities

The overall management of the Company's business is vested to the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board takes responsibility for all major decisions of the Company including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational decisions.

The Company has arranged appropriate liability insurance coverage for the directors, which is reviewed by the Board on a regular basis.

All directors have full and timely access to all relevant information, with a view to ensure that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management and the delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the senior management to discharge its responsibilities.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement.

The Board of the Company currently comprises the following nine directors, namely:

Executive Directors
Mr. Sun Shaoli *(Chairman)*
Mr. Lee Shing
(Vice-chairman and Chief Executive Officer)
Mr. Wei Hongwen
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji

Independent Non-Executive Directors
Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

The biographical details of these directors are set out in the section headed "Directors' & Senior Management's Biographies" in this annual report. Messrs. Sun Shaoli, Wei Hong Wen and Zhong Xianhua who were appointed on 10 September 2007, 10 September 2007 and 4 January 2010 respectively, were nominated by Liuzhou Wuling, the controlling shareholder of the Company.

Save as abovementioned, none of the members of the Board is related to one another.

The list of directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company. One of the independent non-executive directors possesses the appropriate professional qualifications, or accounting or related financial management expertise.

Appointment, Re-election and Resignation of Directors

The Company has established formal, considered and transparent procedures and criteria for the appointment and re-election of directors.

During the year, Messrs. Zhou Sheji, Yu Xiumin, Zuo Duofu and Ye Xiang retired and were re-elected as executive director and independent non-executive directors respectively in accordance with the Company's Bye-laws by resolution passed by the shareholders of the Company in the general meeting on 27 May 2011.

The Company has entered into service contracts with all the independent non-executive directors, namely Messrs. Yu Xiumin, Zuo Duofu and Ye Xiang for a specific term of three years who are also required to retire by rotation in accordance with the Company's Bye-laws.

Prior to the establishment of the Nomination Committee on 28 March 2012, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In accordance with the Company's Bye-laws, Messrs. Sun Shaoli, Lee Shing, Wei Hongwen and Liu Yaling, being executive directors, will retire by rotation and being eligible offer themselves for re-election at the forthcoming 2012 annual general meeting. The Board recommended the re-appointment of all retiring directors standing for re-election at the forthcoming 2012 annual general meeting of the Company.

Detailed information of all retiring directors standing for re-election will be fully described in the Company's circular to be despatched pursuant to the 2012 annual general meeting.

Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximate quarterly interval for reviewing and approving financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 December 2011, a total number of 4 regular Board meetings, 3 Audit Committee meetings and 2 Remuneration Committee meetings were held by the Company.

The individual attendance records of each director at the meetings of the Board, the Audit Committee, the Remuneration Committee, as well as the shareholders' meetings during the year ended 31 December 2011 are set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board Meeting**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr. Sun Shaoli *(Chairman)*	4/4	N/A	N/A
Mr. Lee Shing *(Vice-chairman)*	4/4	N/A	N/A
Mr. Wei Hongwen	4/4	N/A	N/A
Mr. Zhong Xianhua	4/4	N/A	N/A
Ms. Liu Yaling	4/4	N/A	N/A
Mr. Zhou Sheji	4/4	N/A	N/A
Independent Non-Executive Directors			
Mr. Yu Xiumin	4/4	3/3	2/2
Mr. Zuo Duofu *(Chairman of the Remuneration Committee)*	4/4	3/3	2/2
Mr. Ye Xiang *(Chairman of the Audit Committee)*	4/4	3/3	2/2

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meeting, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The responsible senior management attend Board meetings and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The responsible senior management or company secretary of the Company take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Chairman and Chief Executive Officer

The Company observes the principle that there should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business, so as to ensure a balance of power and authority and to avoid the concentration of power and responsibilities on any one individual.

During the year, the Chairman and the Chief Executive Officer of the Company are Mr. Sun Shaoli and Mr. Lee Shing respectively, who have no relationship with each other. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by them separately such that Mr. Sun Shaoli, as the Chairman of the Board, is responsible for the leadership and effective functioning of the Board, whereas, Mr. Lee Shing, as the Chief Executive Officer, is delegated with the authorities for the overall management and operations of the Group.

Board Committees

The Board has established 3 committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee, in which the Nomination Committee was established after the year ended 31 December 2011, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are disclosed in the corporate website of the Company (www.wuling.com.hk) and are available to shareholders upon request.

The members of the Audit Committee and the Remuneration Committee at present are all independent non-executive directors whereas, the majority of Nomination Committee comprises independent non-executive directors. The list of the chairman and members of each Board committee is set out under "Corporate Information" in this annual report.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at Company's expenses.

Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive directors including Mr. Zuo Duofu (chairman of Remuneration Committee), Mr. Yu Xiumin and Mr. Ye Xiang. The biographical details of these directors are set out in the section headed "Directors' & Senior Management's Biographies" in this annual report.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the directors and the senior management and other related matters. The Human Resources Department is responsible for the collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the chairman of the Company about these recommendations on remuneration policy and structure as well as the remuneration packages.

The Remuneration Committee held two meetings during the year ended 31 December 2011 for reviewing the performance and remuneration packages of the existing directors. The attendance records of the Remuneration Committee are set out under "Board Meetings" on page 32.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors including Mr. Ye Xiang (chairman of the Audit Committee), Mr. Yu Xiumin and Mr. Zuo Duofu, among them one independent non-executive director possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The biographical details of these members are set out in the section headed "Directors' & Senior Management's Biographies" in this annual report.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the responsible staff of accounting and financial report function, compliance officer (if any), internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors and its independence by reference to the work performed and services provided by the external auditors, their fees, their firm's standards and practices and the terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the continuing connected party transactions as disclosed in the annual report and confirm that those transactions entered into by the Group were (i) in the ordinary and usual course of business of the Group; (ii) on arm's length basis, on normal commercial terms and on terms that are fair and reasonable as far as the shareholders of the Company are concerned; and (iii) in accordance with the terms of the agreements governing such transactions.

(d) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held three meetings during the year ended 31 December 2011 to review the financial results and reports, financial reporting and compliance procedures, the Company's internal control and risk management review and processes and the resignation and appointment of the external auditors. The attendance records of the Audit Committee are set out under "Board Meetings" on page 32.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the year.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by relevant employees of the Company who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guideline by the employees was noted by the Company.

Directors' Responsibilities in Respect of the Financial Statements

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board received from the senior management the management accounts, explanation and relevant information which enable the Board to make an informed assessment for approving the financial statements.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 51 and 52.

Apartment from the provision of audit services, Deloitte Touche Tohmatsu, the Company's external auditor, also carried out interim review of the Group's results and provided other financial services in compliance with the requirements under the Listing Rules and other statutory requirements.

For the year ended 31 December 2011, Deloitte Touche Tohmatsu, the external auditor received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

	2011 RMB'000
Annual audit services	**1,663**
Interim review services	**531**
Other services	**374**

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis with participation of the Audit Committee. The review covers all material controls, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Group has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The Group which engages in the businesses of the trading and manufacturing of engine, automotive components, and the specialized vehicles, has established budgetary and internal control systems which are designed and structured in accordance with its specific business and operation functions.

An internal audit department is also maintained to carry out the internal audit functions to ensure proper compliance with the internal control systems and to identify the potential risks which may arise in the operation for implementation of appropriate measures and policies. The internal audit department executes their functions based on a yearly plan and prepares reports for their assignments. These reports are submitted to the senior management, the Board and the Audit Committee for review on a regular basis.

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control systems and the internal audit functions of Group and confirms that the required procedures and human resources are in place to ensure adequate internal controls within the Group.

Communications with Shareholders and Investors

The Company acknowledges the importance of maintaining effective communication with the shareholders and the investment community. The general meetings of the Company provide a forum for communication between the Board and the shareholders. Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting and arrange for the chairman of Remuneration Committee and Audit Committee, or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

During the year, either Mr. Sun Shaoli, the chairman or Mr. Lee Shing, the vice-chairman and the chief executive officer chaired and attended the shareholders' meetings held by the Company. Mr. Sun Shaoli and Mr. Lee Shing will use their endeavours to attend all future shareholders' meetings of the Company.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company's website (www.wuling.com.hk) is maintained for the dissemination of the Company's announcements, press releases and other relevant financial and non-financial information on a timely basis.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 49 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 53.

An interim dividend of HK1 cent per share was paid to the shareholders during the year amounting to approximately RMB9,733,000. The directors recommended the payment of a final dividend of HK0.5 cent per share to the shareholders of the Company on the register of members on 5 June 2012, amounting to approximately RMB4,867,000.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five (5) financial years, as extracted from the audited consolidated financial statements is set out below. This summary does not form part of the audited consolidated financial statements:

	2011 **RMB'000**	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Revenue	**10,908,602**	11,063,390	9,888,856	7,111,911	2,856,456
Profit before tax	**167,921**	237,663	139,712	164,769	97,220
Income tax expense	**(31,466)**	(55,120)	(31,093)	(27,882)	(22,602)
Profit for the year	**136,455**	182,543	108,619	136,887	74,618
Profit/(Loss) for the year attributable to:					
Owner of the Company	**69,813**	77,648	(21,928)	32,647	11,147
Non-controlling interests	**66,642**	104,895	130,547	104,240	63,471
	136,455	182,543	108,619	136,887	74,618
Total assets	**9,697,379**	10,073,205	8,574,218	5,674,052	4,462,984
Total liabilities	**(8,492,330)**	(9,172,669)	(7,874,056)	(4,966,822)	(3,882,295)
Net assets	**1,205,049**	900,536	700,162	707,230	580,689
Net assets attributable to:					
Owners of the Company	**486,489**	301,574	126,087	146,744	108,576
Non-controlling interests	**718,560**	598,962	574,075	560,486	472,113
	1,205,049	900,536	700,162	707,230	580,689

Property, Plant and Equipment and Investment Properties

The Group revalued its investment properties at the year end date. There is no change in fair value of the investment properties in aggregate compared with prior year end.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 14 and 17 to the financial statements, respectively.

Share Capital

Details of movements during the year in the share capital are set out in note 36 to the financial statements.

Pre-emptive Rights

There are no provisions for the pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 56 and 57.

Distributable Reserves of the Company

As at 31 December, 2011, the Company's reserves available for distribution to shareholders were RMB150,648,000, which comprises contributed surplus of RMB94,381,000, other reserve of RMB8,632,000 and retained profits of RMB47,635,000 of the Company.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Borrowings

Details of the bank borrowings of the Group are set out in notes 28 and 33 to the financial statements.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for 81.1% and 86.8% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for 17.8% and 25.7% of the Group's total purchases for the year. SAIC-GM-Wuling Automobile Co., Ltd. (上汽通用五菱汽車股份有限公司, "SGMW") in which, Liuzhou Wuling, a substantial shareholder of the Company, holds a 5.8% interests, is the Group's largest customer and largest supplier.

Other than as disclosed above, none of the directors, their respective associates or, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interests in any of the aforesaid top five (5) customers and suppliers of the Group for the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Sun Shaoli *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Wei Hongwen
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji

Independent Non-Executive Directors:

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

The biographical details of the directors of the Company are set out on pages 23 to 27 of this report.

Every directors of the Company, including those appointed for a specific term, should be subject to retirement by rotation and re-election at least once every three years in accordance with Bye-law 91 of the Company.

In accordance with Bye-law 99(B) of the Company, Mr. Sun Shaoli, Mr. Lee Shing, Mr. Wei Hongwen and Ms. Liu Yaling shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of its independent non-executive directors of the Company, the respective annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers these directors independent.

The terms of appointment of all independent non-executive directors of the Company have been fixed for a term of three (3) years but will expire when they are required to retire by rotation and re-election in accordance with the Company's Bye-laws.

Directors' Emoluments

Details of the directors' emoluments disclosed on a named basis and by band, respectively, are set out in note 10 to the consolidated financial statements.

Directors' Service Contracts

The Company has entered into service contracts with all the three (3) independent non-executive directors of the Company for a specific term of three (3) years who are also required to retire by rotation in accordance with the Company's Bye-laws.

No directors of the Company being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Interests in Shares and Underlying Shares and Debentures

At 31 December 2011, the interests of the directors of the Company and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), contained in the Listing Rules were as follows:

Long Positions in the Shares of the Company

Name of director	Capacity	Number of ordinary shares	Approximate % of the issued share capital
Mr. Lee Shing ("Mr. Lee")	Interest in controlled corporation (Note 1)	281,622,914	24.06%
	Beneficial owner (Note 2)	1,813,636	0.15%
	Interest held by spouse (Note 3)	705,302	0.06%
Mr. Zhou Sheji ("Mr. Zhou")	Interest in controlled corporation (Note 4)	44,770,000	3.82%
	Beneficial owner (Note 5)	1,410,606	0.12%
Mr. Wei Hongwen ("Mr. Wei")	Beneficial owner	200,000	0.02%
	Beneficial owner (Note 6)	1,612,120	0.13%

Notes:

(1) This represents the shares held by Dragon Hill Development Limited ("Dragon Hill"), a company wholly-owned by Mr. Lee.

(2) This represents the outstanding share options held by Mr. Lee issued under the Share Option Scheme (as defined below).

(3) This represents the outstanding share options held by the spouse of Mr. Lee issued under the Share Option Scheme (as defined below).

(4) This represents the shares held by Gao Bao Development Limited, a company wholly-owned by Mr. Zhou

(5) This represents the outstanding share options held by Mr. Zhou issued under the Share Option Scheme (as defined below).

(6) This represents the outstanding share options held by Mr. Wei issued under the Share Option Scheme (as defined below).

Save as disclosed above and the interests as disclosed under the section headed "Directors' Rights to Acquire Shares and Debentures" below, none of the directors of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2011 which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares and Debentures

As at 31 December 2011, the number of outstanding option shares granted by the Company under the option scheme adopted on 11 June 2002 (the "Scheme") for the directors of the Company to subscribe for the shares of the Company, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code is set out below:

Category	Capacity	Granted on 29 December 2009 and as at 1 January 2011 (Note 1)	During the year: Granted (exercised)	During the year: Adjustment (Note 3)	During the year: Lapsed/ Cancelled	As at 31 December 2011	Exercise period and Exercise Price
Mr. Sun Shaoli	Beneficial owner	900,000	—	6,818	—	906,818	I
		900,000	—	6,818	—	906,818	II
		1,800,000		13,636		1,813,636	
Mr. Lee Shing	Beneficial owner	900,000	—	6,818	—	906,818	I
		900,000	—	6,818	—	906,818	II
		1,800,000		13,636		1,813,636	
	Interest of spouse (note 2)	350,000	—	2,651	—	352,651	I
		350,000	—	2,651	—	352,651	II
		700,000		5,302		705,302	
Mr. Wei Hongwen	Beneficial owner	800,000	—	6,060	—	806,060	I
		800,000	—	6,060	—	806,060	II
		1,600,000		12,120		1,612,120	
Mr. Zhong Xianhua	Beneficial owner	700,000	—	5,303	—	705,303	I
		700,000	—	5,303	—	705,303	II
		1,400,000		10,606		1,410,606	
Ms. Liu Yaling	Beneficial owner	800,000	—	6,060	—	806,060	I
		800,000	—	6,060	—	806,060	II
		1,600,000		12,120		1,612,120	
Mr. Zhou Sheji	Beneficial owner	700,000	—	5,303	—	705,303	I
		700,000	—	5,303	—	705,303	II
		1,400,000		10,606		1,410,606	
Mr. Yu Xiumin	Beneficial owner	600,000	—	4,545	—	604,545	I
		600,000	—	4,545	—	604,545	II
		1,200,000		9,090		1,209,090	
Mr. Zho Duofu	Beneficial owner	600,000	—	4,545	—	604,545	I
		600,000	—	4,545	—	604,545	II
		1,200,000		9,090		1,209,090	
Mr. Ye Xiang	Beneficial owner	600,000	—	4,545	—	604,545	I
		600,000	—	4,545	—	604,545	II
		1,200,000		9,090		1,209,090	

Exercise period and exercise price:

I. From 21 January 2010 to 31 December 2012 (both days inclusive) at exercise price of HK$1.062 (adjusted on 28 March 2011 and effective from 29 March 2011, details of which may refer to Note 3 below) per share and is vested immediately on the date of acceptance.

II. From 21 January 2011 to 31 December 2013 (both days inclusive) at exercise price of HK$1.062 (adjusted on 28 March 2011 and effective from 29 March 2011, details of which may refer to Note 3 below) per share and is vested on the date falling on the first anniversary of the date of acceptance.

Notes:

(1) The closing price of the Shares immediately before the date on which the options were granted was HK$1.06.

(2) The spouse of Mr. Lee Shing, an executive director of the Company, is an employee of the Group.

(3) Pursuant to the terms of the Share Option Scheme, the exercise price and the number of the of the Shares entitled to be subscribed for under the outstanding options have been adjusted as a result of the completion of the Open Offer, details of which may refer to the announcement of the Company dated 29 March 2011.

Save as disclosed herein, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts

No contract of significance to which the Company, or any of its subsidiaries was a party, and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share Options

Particulars of the Company's share option scheme and the movements in the share options therein are set out in the above section "Directors' Rights to Acquire and Debentures" and note 37 to the financial statements.

Substantial Shareholders' Interests and Short Positions In Shares and Underlying Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2011, the following shareholders of the Company had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Name of Shareholder	Capacity	Nature of interest		Number of ordinary shares	Approximate % of the issued share capital
Dragon Hill (Note 1)	Beneficial owner	Corporate		281,622,914	24.06%
Mr. Lee	Interest in controlled corporation (Note 1)	Corporate		281,622,914	24.06%
	Beneficial owner	Personal		1,813,636	0.15%
	Interest held by spouse	Family		705,302	0.06%
			Sub-total	284,141,852	24.27%
Wuling Motors (Hong Kong) Holdings Limited ("Wuling HK") (Notes 2 and 3)	Beneficial owner	Corporate		433,651,975	37.05%
		Unlisted derivatives		136,986,300	11.69%
			Sub-total	570,638,275	48.74%
Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") (Notes 2 and 3)	Interested in controlled corporation	Corporate		570,638,275	48.74%
Liuzhou Wuling (Notes 2 and 3)	Interest in controlled corporation	Corporate		570,638,275	48.74%

Notes:

(1) Mr. Lee is beneficially interested in 281,622,914 shares, which interests are held by Dragon Hill, a company wholly-owned by Mr. Lee. This parcel of shares has also been disclosed as long position of Mr. Lee under the above section of "Directors' Interests in Shares and Underlying Shares and Debentures".

(2) The entire issued share capital of Wuling HK is held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is held by Liuzhou Wuling. Accordingly, Wuling Motors and Liuzhou Wuling are deemed to be interested in the Shares in which Wuling HK is interested under the SFO.

(3) The unlisted derivatives referred to 136,986,300 Shares issuable to Wuling HK upon exercise in full of the conversion rights attached to the Existing Convertible Notes with a principal amount of HK$100,000,000 at the existing conversion price of HK$0.73 per Share (subject to adjustments).

Other than as disclosed above, as at 31 December 2011, the Company has not been notified of any other relevant interests and short position in the shares capital of the Company or any of its associated corporation, which had been recorded in the register required to be kept under section 336 of the SFO.

Directors' Interest in Competing Business

1. Mr. Lee Shing, an executive Director, is also a director and a substantial shareholder of Shandong Jun Shan Automobile Company Limited (山東俊山汽車有限公司)("Shandong JS"), a company formed in October 2009 in the PRC with principal business scopes being the design, trading and manufacturing of automotive components, engines, and other mould and tool parts. Since its formation and up to the Latest Practicable Date, Shandong JS has not yet commenced operation and it is expected that its operation will not commence in near future. There may be a possibility that the business of Shandong JS will compete with that of the Group in the future when Shandong JS commences operation.

   The Directors are satisfied that the Group functions independently of and on arm's length basis from Shandong JS on the basis that the majority of the executive Directors, the senior management and operations of the Group are independent of those of Shandong JS. Other than the common director, Mr. Lee, there is no overlap of management personnel for the operations within the Group and Shandong JS. In addition, Mr. Lee also confirmed that he will abstain from voting in the relevant board of directors' meeting if there is any potential conflict of interests.

2. Mr. Wei Hongwen, an executive Director, is also a director of SAIC-GM-Wuling Automobile Co., Ltd ("SGMW"). SGMW is principally engaged in the manufacturing and trading businesses of motor vehicles and engines, which may have direct or indirect competition to the businesses of the Group. Although Mr. Wei is taken to have competing interests in SGMW by virtue of his common directorships, he will fulfil his fiduciary duty in order to ensure that he will act in the best interest of the Shareholders and the Company as a whole at all times. Besides, as SGMW is operated and managed under a publicly listed company with independent management and administration, the Directors are satisfied that the Group is capable of carrying its businesses independently of, and at arm's length basis from, the businesses of SGMW.

Connected Transactions

1. On 29 December 2010, the Company and Wuling HK (as underwriter), a substantial shareholder of the Company, entered into an underwriting agreement (which were amended and supplemented by two supplemental agreements and a side letter dated 4 January 2011, 12 January 2011 and 14 February 2011 (the "Underwriting Agreement")) respectively, pursuant to a proposed open offer of new Shares by the Company on the basis of one Offer Share for every six Shares held on the Record Date at the subscription price of HK$0.90 per Share (the "Open Offer", details of which and terms herein used are set out in the circular and the prospectus of the Company dated 15 February 2011 and 9 March 2011 respectively). The Underwriting Agreement, the Open Offer, their respective transactions contemplated thereon, together with a whitewash waiver in relation thereto, were approved by the independent shareholders of the Company at a special general meeting held on 8 March 2011. The Open Offer was completed on 29 March 2011 whereby a total number of 133,363,975 new Shares were issued to Wuling HK (including a number of 50,048,000 Shares, being the assured entitlements of Wuling HK in the Open Offer), at a gross consideration of HK$120,028,000.

2. On 21 April 2011, the Company, Liuzhou Wuling, a substantial shareholder of the Company and Liuzhou Wuling Motors Industrial Company Limited (柳州五菱汽車工業有限公司) ("Wuling Industrial"), a non-wholly owned subsidiary of the Company entered into an agreement in relation to the increase of the registered and paid up capital of Wuling Industrial by a total amount of RMB193,000,000 from RMB767,000,000 to RMB960,000,000 to be contributed by the Company and Liuzhou Wuling based on their respective equity interests in Wuling Industrial ("WI Capital Increase Agreement") for the purpose of raising additional funds for the operations of Wuling Industrial and its subsidiaries ("Wuling Industrial Group"). The subscription money payable by the Company pursuant to the WI Capital Increase Agreement was funded by the net proceeds from the abovementioned Open Offer. Details of the WI Capital Increase Agreement and the transactions contemplated thereon are set out in the announcement and circular of the Company dated 21 April 2011 and 11 May 2011 respectively. The WI Capital Increase Agreement and the transactions contemplated thereon constituted a connected transaction to the Company which were approved by the independent shareholders of the Company at a special general meeting held on 27 May 2011. On 29 July 2011, a total amount of RMB98,390,000 was remitted by the Company to Wuling Industrial for settlement of the subscription money payable by the Company pursuant to the completion of the WI Capital Increase Agreement.

Continuing Connected Transactions

On 2 July 2008, Wuling Industrial and Liuzhou Wuling entered into a undertaking agreement (the "Undertaking Agreement") in relation to the proposed execution of a guarantee agreement to be entered into between Wuling Industrial and China Construction Bank (the "Guarantee Agreement") in relation to the provision of certain revolving banking facilities, including bank loans, bills payable, letters of credit, corporate guarantees and any other indemnities, granted by China Construction Bank to Liuzhou Wuling in a maximum amount of RMB200 million with a maximum term of not more than 3 years from the date of execution of the Guarantee Agreement.

As Liuzhou Wuling is a substantial shareholder, which by virtue of its interests in Wuling HK, this transaction constituted a continuing connected transaction under Chapter 14A of the Listing Rules and was approved by the independent shareholders in the special general meeting of the Company held on 7 August 2008.

On 23 June 2009, Wuling Industrial and China Construction Bank entered into the Guarantee Agreement as a pre-requisite of certain banking facilities granted by China Construction Bank to Liuzhou Wuling, in accordance with the terms as set out in the Undertaking Agreement and the Guarantee Agreement.

In order to ensure that the business and operation of Wuling Industrial and its subsidiaries (the "Wuling Industrial Group"), Wuling Industrial entered into the following agreements with the respective parties which are in effect during the year:

(1) a renewed agreement dated 23 January 2009 with Guangling in relation to provision of water and power supply services by the Wuling Industrial Group to Guangling for three years from 1 January 2009 to 31 December 2011, the maximum aggregate value of the transaction shall be RMB1,400,000, RMB1,700,000 and RMB2,000,000 respectively for each of the three years ending 31 December 2011, details of which were disclosed in the announcement of the Company made on 23 January 2009;

(2) a renewed agreement dated 23 January 2009 with Liuzhou Keer Digital Manufacturing Co., Limited 柳州市科爾數位化製造技術有限公司 ("KE Digital") in relation to the purchase of certain electronic devices and components by the Wuling Industrial Group from KE Digital for three years from 1 January 2009 to 31 December 2011, the maximum aggregate value of the transactions shall be RMB2,500,000, RMB5,000,000 and RMB7,000,000 respectively for each of three years ending 31 December 2011, details of which were disclosed in the announcement of the Company made on 23 January 2009;

(3) a renewed tenancy agreement entered into between Wuling Industrial (as tenant) and Liuzhou Wuling (as landlord) on 13 November 2009, as extended from the then existing tenancy agreement, in connection with the leasing of 12 parcels of land and 69 buildings located in Liuzhou, Guangxi, the PRC, by Liuzhou Wuling to Wuling Industrial ("Leasing of Properties") for the occupancy of such parcels of land and buildings by the Wuling Industrial Group for its business and operations for a period of three years ending on 31 December 2012 at an annual rental of not more than RMB30,205,000, details of which were disclosed in the announcement of the Company made on 13 November 2009;

(4) a renewed patent agreement entered into between Wuling Industrial (as lessee) and Liuzhou Wuling (as lessor) on 21 December 2009, as extended from the then existing patent agreement, in relation to the grant of a total number of 167 types of patent rights and know-how of Liuzhou Wuling for use by the Wuling Industrial Group in its trading and manufacturing activities of engines, automotive components and specialized vehicles, and other related businesses for a term of three years ending on 31 December 2012 at an annual license fee of RMB1,300,000, details of which were disclosed in the announcement of the Company made on 21 December 2009;

(5) a renewed trademark agreement entered into between Wuling Industrial (as lessee) and Liuzhou Wuling (as lessor) on 21 December 2009, as extended from the then existing trademark agreement, in relation to the licensing of 2 registered trademarks of Liuzhou Wuling to Wuling Industrial for use by the Wuling Industrial Group for a term of three years ending on 31 December 2012 at an annual license fee of RMB2,000,000, details of which were disclosed in the announcement of the Company made on 21 December 2009;

(6) a renewed agreement dated 31 January 2011 with Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited 柳州五菱寶馬利汽車有限公司("Baomali") in relation to the purchase of certain automobile air-conditioning parts and accessories by Wuling Industrial Group from Baomali ("Baomali Purchase Transactions"), the maximum aggregate value of the Baomali Purchase Transactions shall be RMB3,200,000, RMB4,000,000 and RMB5,800,000 for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 31 January 2011;

(7) a renewed agreement dated 31 January 2011 with Liuzhou Guangling Moulds & Tools Technology Limited 柳州廣菱模具技術有限公司 ("Guangling") in relation to the sales of raw materials by the Wuling Industrial Group to Guangling ("GL Sale Transactions"), the maximum aggregate value of the GL Sale Transactions shall be RMB75,000,000, RMB80,000,000 and RMB82,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 31 January 2011;

(8) a renewed agreement dated 31 January 2011 with Guangling in relation to the purchases of automotive components and other accessories by the Wuling Industrial Group from Guangling ("GL Purchase Transactions"), the maximum aggregate value of the GL Purchase Transactions shall be RMB62,000,000, RMB74,000,000 and RMB96,000,000 respectively, for three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 31 January 2011;

(9) a renewed agreement dated 31 January 2011 with Guilin Bus Development Co., Ltd 桂林客車發展有限責任公司 ("Guilin Bus") in relation to the sales of parts and raw materials to Guilin Bus by the Wuling Industrial Group ("GB Sale Transactions"), the maximum value of the GB Sale Transactions shall be RMB55,000,000, RMB62,000,000 and RMB70,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 31 January 2011. The maximum value of the GB Sale Transactions was subsequently revised by the agreement as described in item 11 below;

(10) a renewed agreement dated 31 January 2011 with Guilin Bus in relation to the purchases of passenger mini-buses from Guilin Bus by the Wuling Industrial Group ("GB Purchase Transactions"), the maximum value of the GB Purchase Transactions shall be RMB50,000,000, RMB58,000,000 and RMB66,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 31 January 2011. The maximum value of the GB Purchase Transactions was subsequently revised by the agreement as described in item 12 below;

(11) a revised agreement dated 9 September 2011 with Guilin Bus in relation to the sales of parts and raw materials to Guilin Bus by the Wuling Industrial Group ("Revised GB Sale Transactions"), the maximum value of the Revised GB Sale Transactions shall be revised to RMB80,000,000, RMB110,000,000 and RMB150,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 9 September 2011; and

(12) a revised agreement dated 9 September 2011 with Guilin Bus in relation to the purchases of passenger mini-buses and its related accessories from Guilin Bus by the Wuling Industrial Group ("Revised GB Purchase Transactions"), the maximum value of the Revised GB Purchase Transactions shall be revised to RMB120,000,000, RMB160,000,000 and RMB220,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company made on 9 September 2011.

Liuzhou Wuling is a substantial shareholder of the Company, by virtue of its interests in Wuling HK, is regarded as connected person of the Company pursuant to the Listing Rules.

Guangling, Guilin Bus, KE Digital and Baomali, as associates of Liuzhou Wuling, are regarded as connected persons to the Company pursuant to the Listing Rules.

The transactions listed above constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules, in which independent shareholders' approval for items No. 3 and items No. 7 to 12 above were obtained in the following special general meetings of the Company:

Item	Particulars	Date of special general Meeting
3	Leasing of properties	18 December 2009
7	GL Sale Transactions	10 March 2011
8	GL Purchase Transactions	10 March 2011
9	GB Sale Transactions	10 March 2011
10	GB Purchase Transactions	10 March 2011
11	Revised GB Sale Transactions	24 October 2011
12	Revised GB Purchase Transactions	24 October 2011

As for items No. 1 to 2 and items No. 4 to 6 above, approval from independent shareholders of the Company were exempted under the Listing Rules.

The aggregate amounts of each of the abovementioned continuing connected transactions were within the maximum aggregate value as stated in the respective agreements for the year ended 31 December 2011.

Pursuant to rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in accordance with Hong Kong standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Listing Rules.

The independent non-executive directors have reviewed the above connected and continuing connected transactions and confirm that these transactions entered into by the Group were:

a. in the ordinary and usual course of business of the Group;

b. on arm's length basis, on normal commercial terms and on terms that are fair and reasonable as far as the shareholders of the Company are concerned; and

c. in accordance with the terms of the agreements governing such transactions.

Save as disclosed herein, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive directors of the Company namely Mr. Zuo Duofu (Chairman of the Remuneration Committee), Mr. Yu Xiumin and Mr. Ye Xiang, for the purpose of, inter alia, reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management of the Company and other related matters.

The terms of reference of the Remuneration Committee is set out in the corporate website of the Company, where a summary of duties and works of the Remuneration Committee during the year ended 31 December 2011 is set out in the "Corporate Governance Report" in this annual report.

Audit Committee

The Company has an audit committee which was established in compliance with the Rule 3.2.1 of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting process and internal controls.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. Ye Xiang (Chairman of the Audit Committee), Mr. Yu Xiumin and Mr. Zuo Duofu, in which one of them possesses the appropriate professional qualifications or accounting or related financial management expertise.

The terms of reference of the Audit Committee is set out in the corporate website of the Company, where a summary of duties and works of the Audit Committee during the year ended 31 December 2011 is set out in the "Corporate Governance Report" in this annual report.

The audited financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Nomination Committee

On 28 March 2012, the Company established the Nomination Committee which comprises three independent non-executive directors of the Company including Mr. Yu Xiumin (Chairman of the Nomination Committee), Mr. Zuo Duofu and Mr. Ye Xiang, as well as Mr. Sun Shaoli, Chairman of the Board and Mr. Lee Shing, Vice-chairman of the Board and Chief Executive Officer for the purpose of, inter alia, reviewing the composition and effectiveness of the board functioning, as well as to assessing or making recommending on relevant matters relating to the appointment and/or re-appointment of the directors.

The terms of reference of the Nomination Committee is set out in the corporate website of the Company.

Purchase, Redemption and Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year (2010: Nil).

Pension Schemes

The pension schemes of the Company and its subsidiaries are primarily in form of contributions to the China statutory public welfare fund and Hong Kong's Mandatory Provident Funds.

Code for Securities Transactions by Directors

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code, which has been revised pursuant to recent amendments to the Listing Rules. The directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2011.

Sufficiency of Public Float

As at the date of this annual report, based on information that is publicly available to the Company and to the best knowledge of the directors of the Company, the Company maintained sufficient float being 25% of the Company's total issued share capital as required under the Listing Rules.

Event After the Reporting Date

Details of a significant event occurring after the reporting date are set out in note 48 to the financial statements.

Auditor

Deloitte Touche Tohmatsu ("Deloitte"), being the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting of the Company. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Sun Shaoli
Chairman
28 March 2012

Deloitte.
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TO THE MEMBERS OF
WULING MOTORS HOLDINGS LIMITED
(FORMERLY KNOWN AS DRAGON HILL WULING AUTOMOBILE HOLDINGS LIMITED)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wuling Motors Holdings Limited (the "Company") (formerly known as Dragon Hill Wuling Automobile Holdings Limited) and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 136, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	6	**10,908,602**	11,063,390
Cost of sales		**(9,936,887)**	(9,983,234)
Gross profit		**971,715**	1,080,156
Other income	6	**83,527**	98,955
Other gains and losses	6	**2,519**	4,015
Selling and distribution costs		**(245,548)**	(289,875)
General and administrative expenses		**(551,846)**	(540,082)
Research and development expenses		**(53,589)**	(83,901)
Change in fair value of derivative financial instrument	32	**35,526**	29,492
Loss on disposal of subsidiaries	46	**(27)**	—
Loss on change in fair value of held-for-trading investments		**(2)**	—
Gain on disposal of an associate	19	**—**	1,572
Share of result of an associate	19	**—**	(1,715)
Change in fair value of investment properties	17	**—**	2,958
Finance costs	7	**(74,354)**	(63,912)
Profit before tax		**167,921**	237,663
Income tax expense	8	**(31,466)**	(55,120)
Profit for the year	9	**136,455**	182,543
Other comprehensive income			
Exchange differences arising from translation of foreign operation		**39**	8,664
Released upon disposal of subsidiaries		**(33)**	—
Total comprehensive income for the year		**136,461**	191,207
Profit for the year attributable to:			
Owners of the Company		**69,813**	77,648
Non-controlling interests		**66,642**	104,895
		136,455	182,543
Total comprehensive income attributable to:			
Owners of the Company		**69,819**	86,312
Non-controlling interests		**66,642**	104,895
		136,461	191,207
Earnings per share	13		
Basic		**6.17 cents**	7.84 cents
Diluted		**3.16 cents**	4.76 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,078,994**	891,537
Prepaid lease payments	15	**171,907**	32,104
Premium on prepaid lease payments	16	**972**	997
Investment properties	17	**26,217**	27,103
Intangible assets	18	**628**	928
Available-for-sale investments	20	**360**	360
Deposits for trading rights		**—**	174
Deposits for acquisition of land use rights	21	**10,800**	50,800
Deposits for acquisition of property, plant and equipment	22	**140,584**	183,229
		1,430,462	1,187,232
CURRENT ASSETS			
Inventories	23	**551,976**	895,836
Loan receivables	24	**—**	50
Trade and other receivables	25(i)	**6,128,582**	4,767,834
Bills receivables discounted with recourse	25(ii)	**232,736**	1,418,202
Prepaid lease payments	15	**3,601**	689
Tax recoverable		**2,033**	—
Held-for-trading investments	26	**5**	7
Client trust bank accounts	27	**—**	5,373
Pledged bank deposits	28	**498,138**	952,549
Bank balances and cash	28	**849,846**	845,433
		8,266,917	8,885,973
CURRENT LIABILITIES			
Trade and other payables	29(i)	**5,914,080**	6,243,018
Advances drawn on bills receivables discounted with recourse	29(ii)	**232,736**	1,418,202
Amounts due to shareholders	30	**577,979**	627,013
Provision for warranty	31	**124,717**	125,665
Tax payable		**1,297**	44,100
Derivative financial instrument	32	**18,843**	54,369
Bank borrowings — due within one year	33	**1,174,762**	240,521
Obligations under finance leases			
— due within one year	34	**74**	79
Bank overdrafts	28	**5,117**	—
		8,049,605	8,752,967
NET CURRENT ASSETS		**217,312**	133,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,647,774**	1,320,238

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Amount due to shareholders	30	**326,764**	329,533
Convertible loan notes	32	**78,524**	77,691
Bank borrowings — due after one year	33	**23,158**	2,872
Obligations under finance leases			
— due after one year	34	**—**	79
Deferred tax liabilities	35	**14,279**	9,527
		442,725	419,702
		1,205,049	900,536
CAPITAL AND RESERVES			
Share capital	36	**4,524**	3,961
Reserves		**481,965**	297,613
Equity attributable to owners of the Company		**486,489**	301,574
Non-controlling interests		**718,560**	598,962
		1,205,049	900,536

The consolidated financial statements on pages 53 to 136 were approved and authorised for issue by the Board of Directors on 28 March 2012 and are signed on its behalf by:

Sun Shaoli
Chairman

Lee Shing
Vice-chairman and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000 (note i)	Share option reserve RMB'000	PRC general reserve RMB'000 (note ii)	Capital reserve RMB'000 (note iii)	Retained profits (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	3,659	279,305	(2,883)	97,435	945	52,151	18,505	(323,030)	126,087	574,075	700,162
Profit for the year	—	—	—	—	—	—	—	77,648	77,648	104,895	182,543
Exchange difference arising from translation of foreign operation	—	—	8,664	—	—	—	—	—	8,664	—	8,664
Total comprehensive income for the year	—	—	8,664	—	—	—	—	77,648	86,312	104,895	191,207
Issue of shares upon placing of shares (Note 36)	295	62,343	—	—	—	—	—	—	62,638	—	62,638
Share issue expenses	—	(1,088)	—	—	—	—	—	—	(1,088)	—	(1,088)
Recognition of equity settled share-based payments	—	—	—	—	25,689	—	—	—	25,689	—	25,689
Exercise of share options	7	2,582	—	—	(653)	—	—	—	1,936	—	1,936
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(80,008)	(80,008)
Transfers	—	—	—	—	—	21,456	—	(21,456)	—	—	—
Subtotal	302	63,837	—	—	25,036	21,456	—	(21,456)	89,175	(80,008)	9,167
At 31 December 2010	3,961	343,142	5,781	97,435	25,981	73,607	18,505	(266,838)	301,574	598,962	900,536

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000 (note i)	Share option reserve RMB'000	PRC general reserve RMB'000 (note ii)	Capital reserve RMB'000 (note iii)	Retained profits (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Profit for the year	—	—	—	—	—	—	—	69,813	69,813	66,642	136,455
Exchange difference arising from translation of foreign operation	—	—	39	—	—	—	—	—	39	—	39
Released upon disposal of subsidiaries	—	—	(33)	—	—	—	—	—	(33)	—	(33)
Total comprehensive income for the year	—	—	6	—	—	—	—	69,813	69,819	66,642	136,461
Issue of shares upon open offer (Note 36)	563	126,081	—	—	—	—	—	—	126,644	—	126,644
Share issue expenses	—	(2,693)	—	—	—	—	—	—	(2,693)	—	(2,693)
Share premium reduction (note (iv))	—	(466,530)	—	466,530	—	—	—	—	—	—	—
Set-off contributed surplus against accumulated losses (note (iv))	—	—	—	(528,202)	—	—	—	528,202	—	—	—
Recognition of equity settled share-based payments	—	—	—	—	878	—	—	—	878	—	878
Forfeiture of share options	—	—	—	—	(3,113)	—	—	3,113	—	—	—
Capital injection	—	—	—	—	—	—	—	—	—	101,960	101,960
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(49,004)	(49,004)
Dividend recognized as distribution (Note 12)	—	—	—	—	—	—	—	(9,733)	(9,733)	—	(9,733)
Transfers	—	—	—	—	—	48,226	—	(48,226)	—	—	—
Subtotal	563	(343,142)	—	(61,672)	(2,235)	48,226	—	473,356	115,096	52,956	168,052
At 31 December 2011	4,524	—	5,787	35,763	23,746	121,833	18,505	276,331	486,489	718,560	1,205,049

Notes:

(i) The Group's contributed surplus represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 30 October 1992, over the nominal value of the Company's shares issued in exchange therefore; (ii) the transfer of the credit arising from a capital reduction on 19 June 2006; and (iii) the transfer of the share premium and the absorption of accumulated losses on 27 May 2011.

(ii) According to the relevant requirement in the memorandum of association of the subsidiaries established in the People's Republic of China (the "PRC"), a portion of their profits after taxation, as determined by the board of directors of those subsidiaries, is transferred to PRC general reserve. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to offset the losses of the previous years, if any.

(iii) The capital reserve represents the deemed capital contribution arising on acquisition of a subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), from Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), a substantial shareholder with significant influence over the Company, in August 2007.

(iv) Pursuant to a special resolution passed at the annual general meeting of the Company on 27 May 2011, (i) the entire amount outstanding to the credit of the share premium account of the Company was reduced to nil (the "Share Premium Reduction"); (ii) the credit arising from the Share Premium Reduction was transferred to the contributed surplus account of the Company; and (iii) a sum of approximately HK$627,504,000 (equivalent to approximately RMB528,202,000) in the contributed surplus account of the Company was applied to set off against the accumulated losses of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTE	**2011** RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**167,921**	237,663
Adjustments for:			
Depreciation of property, plant and equipment		**94,507**	79,634
Finance costs		**74,354**	63,912
Allowance for inventories		**5,872**	1,186
Release of prepaid lease payments		**2,861**	751
Impairment losses recognized on trade receivables		**2,694**	2,554
Recognition of equity-settled share-based payments		**878**	25,689
Loss on disposal of subsidiaries		**27**	—
Release of premium on prepaid lease payments		**25**	25
Loss on change in fair value of held-for-trading investments		**2**	—
Share of results of an associate		**—**	1,715
Change in fair value of derivative financial instrument		**(35,526)**	(27,152)
Bank interest income		**(29,105)**	(18,766)
Exchange difference		**(5,160)**	—
Impairment loss reversed in respect of trade receivables		**(1,223)**	(2,786)
(Gain) loss on disposal of property, plant and equipment		**(276)**	523
Change in fair value of investment properties		**—**	(2,958)
Gain on disposal of an associate		**—**	(1,572)
Gain on disposal of available-for-sale investments		**—**	(813)
Operating cash flows before movements in working capital		**277,851**	359,605
Decrease (increase) in inventories		**337,988**	(101,333)
(Increase) decrease in loans receivable		**(387)**	400
Increase in trade and other receivables		**(1,364,140)**	(772,556)
Decrease (increase) in bills receivables discounted with recourse		**1,185,466**	(82,424)
Decrease in client trust bank accounts		**3,075**	1,711
(Decrease) increase in trade and other payables		**(324,081)**	1,076,180
Decrease in amount due to an associate		**—**	(11,371)
(Decrease) increase in provision for warranty		**(948)**	13,926
Cash generated from operations		**114,824**	484,138
Income tax paid		**(67,453)**	(30,232)
Withholding tax paid		**(4,094)**	(4,271)
NET CASH FROM OPERATING ACTIVITIES		**43,277**	449,635

	NOTE	2011 RMB'000	2010 RMB'000
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**952,411**	835,714
Bank interest income received		**29,105**	18,766
Proceeds from government grants		**12,000**	32,168
Proceeds from disposal of property, plant and equipment		**3,514**	11,862
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	46	**491**	—
Placement of pledged bank deposits		**(498,138)**	(952,549)
Deposits paid for purchase of property, plant and equipment		**(140,584)**	(183,229)
Purchase of property, plant and equipment		**(114,183)**	(287,607)
Addition of prepaid lease payments		**(105,576)**	—
Proceeds from disposal of an associate		**—**	2,291
Proceeds from disposal of available-for-sale investments		**—**	948
Deposits paid for acquisition of land use rights		**—**	(50,800)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**139,040**	(572,436)
FINANCING ACTIVITIES			
Repayment of advances drawn on bills receivables discounted with recourse		**(2,516,560)**	(2,663,586)
Repayment of bank borrowings		**(316,228)**	(219,019)
Interest paid		**(70,931)**	(60,713)
Repayment to shareholders		**(62,509)**	(42,959)
Dividend paid to non-controlling interests of subsidiaries		**(49,004)**	(80,008)
Dividend paid		**(9,733)**	—
Expenses of issue of shares upon open offer		**(2,693)**	—
Repayment of obligations under finance leases		**(79)**	(244)
Advance drawn down from bills receivables discounted with recourse		**1,331,094**	2,746,010
Bank borrowings raised		**1,274,116**	234,998
Proceeds from issue of shares upon open offer		**126,644**	—
Capital injection by non-controlling interests of subsidiaries		**101,960**	—
Advance from shareholders		**10,706**	184,399
Proceeds from issue of new shares upon placing of shares, net of share issue expenses		**—**	61,550
Proceeds from exercise of share options		**—**	1,936
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(183,217)**	162,364
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(900)**	39,563
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**845,433**	802,830
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**196**	3,040
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**844,729**	845,433
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing			
bank balances and cash		**849,846**	845,433
bank overdrafts		**(5,117)**	—
		844,729	845,433

1. General Information

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and its subsidiaries are engaged in the manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply. The details of its principal subsidiaries are disclosed in Note 49.

The consolidated financial statements are presented in Renminbi dollars ("RMB"), which is also the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

— HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

— The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation and disclosures

In June 2011, a package of standards on consolidation and disclosures was issued, including HKFRS 10 and HKFRS 12.

Key requirements of these standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

New and revised standards on consolidation and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognized in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through use under the existing HKAS 12. However, the directors have not yet performed a detailed analysis of the impact of the application of these amendments and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

3. Significant Accounting Policies (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related for the Group.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, value-added tax and other sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and title passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are provided.

Interest income from a financial assets is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognized when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can measured reliably.

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any charges in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are stated at costs less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

3. Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight line basis over the term of the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in the consolidated statement of comprehensive income for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates of the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. Significant Accounting Policies (continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

The intangible assets of the Group, representing the eligibility rights to trade on or through the Stock Exchange and The Philippine Stock Exchange, Inc., are considered to have indefinite useful lives.

3. Significant Accounting Policies (continued)

Intangible assets acquired separately (continued)

Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

The Group's financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, bills receivables discounted with recourse, client trust bank accounts, pledged bank deposits and bank balance and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Financial liabilities including trade and other payables, advances drawn on bills receivables discounted with recourse, amounts due to shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognized at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognized less, when appropriate, cumulative amortisation recognized in accordance with the revenue recognition policy.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period or recognized as an expense in full at the grant date which the share options granted vest immediately, with a corresponding increase in share option reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Where share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained profits.

Share options granted to other parties

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognized as expenses, with a corresponding increase in share option reserve, when the Company obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. Significant Accounting Policies (continued)

Impairment loss on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment (other than construction in progress) are depreciated on a straight line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation charged in the year in which such estimate is changed.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2011, the carrying amount of trade and bills receivable was approximately RMB5,623,553,000 (net of allowance for doubtful debts of approximately RMB6,818,000) (2010: carrying amount of approximately RMB4,281,562,000, net of allowance for doubtful debts of approximately RMB5,551,000).

Provision for warranty

The Group makes warranty provision based on information available prior to the issuance of the consolidated financial statements indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in Note 31, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by management. If the costs are settled for an amount greater than management's estimation, a future charge to the profit or loss will result. Likewise, if the costs are settled for an amount that is less that the estimation, a future credit to the consolidated statement of comprehensive income will result.

5. Segment Information

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Manufacture and sale of engines and parts
- Manufacture and sale of automotive components and accessories
- Manufacture and sale of specialized vehicles
- Trading of raw materials, and provision of water and power supply services
- Others (including property investment, securities dealing and margin finance services)

Segment revenues and results

The following is an analysis of the Group's revenue and results from reportable and operating segments.

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, and provision of water and power supply RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2011							
Revenue							
External sales	3,495,062	5,049,561	1,474,644	888,108	1,227	—	10,908,602
Inter-segment sales	304,927	120,729	17,262	1,013,514	—	(1,456,432)	—
Total	3,799,989	5,170,290	1,491,906	1,901,622	1,227	(1,456,432)	10,908,602
Segment profit (loss)	146,736	19,487	46,554	22,812	(9,715)		225,874
Bank interest income							29,105
Change in fair value of derivative financial instrument							35,526
Share option expenses							(878)
Central administration costs							(47,325)
Loss on disposal of subsidiaries							(27)
Finance costs							(74,354)
Profit before tax							167,921

5. Segment Information (continued)

Segment revenues and results (continued)

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, and provision of water and power supply RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2010							
Revenue							
External sales	3,589,536	5,230,910	1,555,380	685,984	1,580	—	11,063,390
Inter-segment sales	291,393	109,716	109,857	3,394,908	—	(3,905,874)	—
Total	3,880,929	5,340,626	1,665,237	4,080,892	1,580	(3,905,874)	11,063,390
Segment profit (loss)	214,348	65,418	26,870	25,790	(14,016)		318,410
Bank interest income							18,766
Change in fair value of derivative financial instrument							29,492
Share option expenses							(25,689)
Central administration costs							(39,261)
Share of results of an associate							(1,715)
Gain on disposal of an associate							1,572
Finance costs							(63,912)
Profit before tax							237,663

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by/loss incurred by each segment without the allocation of central administrative costs, bank interest income, change in fair value of derivative financial instrument, share option expenses, share of results of an associate, gain on disposal of an associate, loss on disposal of subsidiaries and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

5. Segment Information (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments.

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, and provision of water and power supply RMB'000	Others RMB'000	Consolidated RMB'000
At 31 December 2011						
Assets						
Segment assets	**2,693,860**	**3,884,436**	**753,475**	**986,958**	**28,633**	**8,347,362**
Pledged bank deposits						**498,138**
Bank balances and cash						**849,846**
Tax recoverable						**2,033**
Consolidated assets						**9,697,379**
Liabilities						
Segment liabilities	**1,937,456**	**3,270,477**	**780,657**	**278,937**	**4,080**	**6,271,607**
Amounts due to shareholders						**904,743**
Derivative financial instrument						**18,843**
Convertible loan notes						**78,524**
Bank borrowings						**1,197,920**
Bank overdrafts						**5,117**
Others						**15,576**
Consolidated liabilities						**8,492,330**

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, and provision of water and power supply RMB'000	Others RMB'000	Consolidated RMB'000
At 31 December 2010						
Assets						
Segment assets	2,574,426	3,666,478	509,953	1,486,009	38,357	8,275,223
Pledged bank deposits						952,549
Bank balances and cash						845,433
Consolidated assets						10,073,205
Liabilities						
Segment liabilities	2,297,215	3,066,878	516,779	1,891,798	13,549	7,786,219
Amounts due to shareholders						956,546
Derivative financial instrument						54,369
Convertible loan notes						77,691
Bank borrowings						243,393
Others						54,451
Consolidated liabilities						9,172,669

5. Segment Information (continued)

Segment assets and liabilities (continued)

The assets of the Group are allocated based on the operations of the segments. However, pledged bank deposits, bank balances and cash and tax recoverable, are not allocated to the segments.

The liabilities of the Group are allocated based on the operations of the segments. However, amounts due to shareholders, derivative financial instrument, convertible loan notes, bank borrowings, tax payables and deferred tax liabilities (included in others), are not allocated to the segments.

Other segment information

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, and provision of water and power supply RMB'000	Others RMB'000	Consolidated RMB'000
For the year ended 31 December 2011						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions	152,089	71,840	6,118	55,196	169	285,412
Depreciation of property, plant and equipment	33,106	44,304	4,472	12,386	239	94,507
Release of prepaid lease payments	388	299	—	2,174	—	2,861
Release of premium on prepaid lease payments	—	25	—	—	—	25
(Gain) loss on disposal of property, plant and equipment	(699)	572	37	(186)	—	(276)
Allowance for inventories	5,872	—	—	—	—	5,872
Impairment loss reversed in respect of trade receivables	(1,223)	—	—	—	—	(1,223)
Impairment loss recognized on trade receivables	1,462	970	262	—	—	2,694

5. Segment Information (continued)

Other segment information (continued)

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, and provision of water and power supply RMB'000	Others RMB'000	Consolidated RMB'000
For the year ended 31 December 2010						
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions	109,518	123,311	11,849	70,072	380	315,130
Depreciation of property, plant and equipment	27,053	37,413	3,920	10,579	669	79,634
Release of prepaid lease payments	—	751	—	—	—	751
Release of premium on prepaid lease payments	—	25	—	—	—	25
Loss (gain) on disposal of property, plant and equipment	580	5	112	(424)	250	523
Allowance for inventories	—	—	1,186	—	—	1,186
Impairment loss reversed in respect of trade receivables	(2,015)	(771)	—	—	—	(2,786)
Impairment loss recognized on trade receivables	2,232	58	251	—	13	2,554

5. Segment Information (continued)

Geographical information

(a) Revenue from external customers

The Group's operations are located in Hong Kong and the PRC (excluding Hong Kong). Information about the Group's revenue from customers is presented based on the location of customers, irrespective of the origin of the goods and services.

	2011 RMB'000	2010 RMB'000
The PRC (excluding Hong Kong)	**10,907,375**	11,061,810
Hong Kong	**1,227**	1,580
Consolidated	**10,908,602**	11,063,390

(b) Non-current assets

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	2011 RMB'000	2010 RMB'000
Hong Kong	**27,747**	29,844
Philippines	**628**	174
The PRC (excluding Hong Kong)	**1,401,727**	1,156,854
	1,430,102	1,186,872

Information about a major customer

Revenue derived from sales to a single customer, which contributing over 10% of total revenue of the Group, is as the followings:

	2011 RMB'000	2010 RMB'000
Engines and parts	**3,031,494**	2,667,317
Automotive components and accessories	**4,792,960**	4,765,864
Specialized vehicles	**99,213**	234,138
Trading of raw materials	**47,174**	139,078
Provision of water and power supply	**206,669**	191,645
	8,177,510	7,998,042

6. Revenue/Other Income/Other Gains and Losses

An analysis of the Group's revenue, other income and other gains and losses is as follows:

	2011 RMB'000	2010 RMB'000
Sales of:		
— Engines and parts	**3,495,062**	3,589,536
— Automotive components and accessories	**5,049,561**	5,230,910
— Specialized vehicles	**1,474,644**	1,555,380
Trading of raw materials	**674,317**	489,837
Provision of water and power supply	**213,791**	196,147
	10,907,375	11,061,810
Commission and interest income from securities dealing and margin finance	**549**	980
Gross property rental income	**678**	600
	10,908,602	11,063,390
Other income (note (i))	**83,527**	98,955
Other gains and losses (note (ii))	**2,519**	4,015

notes:

(i) Details of other income are as follows:

	2011 RMB'000	2010 RMB'000
Sales of scrap materials and parts	**49,915**	62,155
Bank interest income	**29,105**	18,766
Service income on repairs and maintenance	**3,158**	5,016
Machinery rental income	**519**	1,380
Project income	**—**	8,993
Others	**830**	2,645
	83,527	98,955

(ii) Details of other gains and losses are as follows:

	2011 RMB'000	2010 RMB'000
Foreign exchange gains (losses), net	**3,714**	(1,818)
Impairment loss reversed in respect of trade receivables	**1,223**	2,786
Gain (losses) on disposal of property, plant and equipment	**276**	(523)
Impairment loss recognized on trade receivables	**(2,694)**	(2,554)
Gain on disposal of available-for-sale investments	**—**	813
Recovery of trade receivables previously written off	**—**	5,311
	2,519	4,015

7. Finance Costs

	2011 RMB'000	2010 RMB'000
Interests on:		
— amount due to a shareholder (Note 30)	**3,737**	1,453
— borrowings and overdrafts wholly repayable within five years	**23,878**	7,265
— borrowings not wholly repayable within five years	**489**	383
— advances drawn on bills receivables	**37,820**	46,345
— obligations under finance leases	**18**	47
— convertible loan notes (Note 32)	**8,412**	8,419
	74,354	63,912

8. Income Tax Expense

	2011 RMB'000	2010 RMB'000
Tax charge represents:		
PRC Enterprise Income Tax		
Current	**25,987**	52,704
Under(over)provision in prior years	**725**	(281)
	26,712	52,423
Deferred tax (Note 35)		
Current year	**4,754**	2,697
	31,466	55,120

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made for both years since the assessable profits are wholly absorbed by tax losses brought forward.

8. Income Tax Expense (continued)

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the tax notice, Caishui [2001] no. 202 and the Implementation Regulations of the EIT Law issued by the State Council of the PRC on 6 December 2008, the relevant State policy and with approval obtained from tax authorities in charge, other than Wuling Industrial, all the Group's major PRC operating subsidiaries which are located in specified provinces of Western China and engaged in a specific state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Pursuant to Caishui [2011] No. 58 issued during the current year, such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprises are engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue"), and annual approval from the relevant authority is obtained by the enterprises. The Catalogue will be issued separately. In addition, pursuant to the Notice 2011 No. 2 issued by Guangxi Local Tax Bureau, for the transition between Caishui [2001] No. 202 and Caishui [2011] No. 58, entities which enjoyed preferential EIT rate for the development of the western regions in Guangxi Province previously, could adopt 15% preferential tax rate while making their quarterly EIT prepayments in 2011. The Catalogue setting out the qualifying industries has not been issued yet, and there is no further regulation to address this issue.

In the opinion of the directors of the Company, all the Group's major PRC operating subsidiaries, other than Wuling Industrial, are located in the specified provinces of Western China and paid quarterly EIT at 15% preferential tax rate during the year ended 31 December 2011, will be subject to a preferential tax rate of 15% in 2011 as they are engaged in industries which should qualify for the preferential tax treatment.

Pursuant to the tax notice, Liuzhou Liunan [2010] No. 001, Wuling Industrial, was entitled to a preferential income tax rate of 15% until December 2010. The tax rate of Wuling Industrial is 25% in 2011.

The EIT Law also requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders at 10% of the distribution. Deferred tax of RMB8,881,000 (2010: RMB7,003,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries as a charge to the consolidated statement of comprehensive income.

8. Income Tax Expense (continued)

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**167,921**	237,663
Tax at the domestic income tax rate of 15% (note)	**25,188**	35,650
Tax effect of share of results of an associate	**—**	(257)
Tax effect of expenses not deductible for tax purposes	**3,262**	9,623
Tax effect of income not taxable for tax purposes	**(7,439)**	(4,430)
Tax effect of deductible temporary difference not recognized	**430**	4,915
Tax effect of tax losses not recognized	**1,139**	2,994
Tax effect of utilization of tax losses previously not recognized	**(723)**	(97)
Tax effect of undistributed profits of PRC subsidiaries	**8,881**	7,003
Effect of different tax rates of subsidiaries operating in Other jurisdictions	**3**	—
Under(over)provision in prior years	**725**	(281)
Income tax expense for the year	**31,466**	55,120

note: This represents the domestic income tax rate of the jurisdiction where a substantial portion of the Group's operations is based.

Details of movement in deferred tax are set out in Note 35.

9. Profit for the Year

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (Note 10)	**6,594**	10,519
Other staff costs		
Salaries and allowances	**591,360**	445,968
Retirement benefit scheme contributions, excluding directors	**55,348**	59,849
Equity settled share-based payments, excluding directors	**712**	20,913
Total staff costs	**654,014**	537,249
Gross rental income from investment properties	**(678)**	(600)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**2**	3
Net rental income	**(676)**	(597)
Auditor's remuneration	**1,663**	1,866
Cost of inventories recognized as an expense (note)	**9,768,855**	9,850,288
Depreciation of property, plant and equipment	**94,507**	79,634
Release of prepaid lease payments (included in general and administrative expenses)	**2,861**	751
Release of premium on prepaid lease payments (included in general and administrative expenses)	**25**	25

note: Included in cost of inventories is an amount of approximately RMB5,872,000 (2010: RMB1,186,000) recognized as allowance for inventories.

10. Directors' Emoluments

The emoluments paid or payable to each of the directors are as follows:

		Other emoluments			
	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefits schemes RMB'000	Share-based payments RMB'000	Total emoluments RMB'000
2011					
Sun Shaoli	**160**	**1,349**	**163**	**23**	**1,695**
Lee Shing	**1,132**	**350**	**10**	**23**	**1,515**
Wei Hongwen	**160**	**782**	**97**	**21**	**1,060**
Zhong Xianhua	**160**	**585**	**97**	**18**	**860**
Zhou Sheji	**160**	**636**	**10**	**18**	**824**
Liu Yaling	**160**	**16**	**—**	**21**	**197**
Yu Xiumin	**115**	**2**	**—**	**14**	**131**
Zuo Duofu	**115**	**2**	**—**	**14**	**131**
Ye Xiang	**165**	**2**	**—**	**14**	**181**
	2,327	**3,724**	**377**	**166**	**6,594**
2010					
Sun Shaoli	104	1,077	379	678	2,238
Lee Shing	1,044	331	10	678	2,063
Wei Hongwen	104	587	105	603	1,399
Zhong Xianhua (note i)	104	436	110	459	1,109
Zhou Sheji	104	699	10	528	1,341
Liu Yaling	104	16	—	603	723
Yu Xiumin	104	7	—	405	516
Zuo Duofu	104	7	—	405	516
Ye Xiang	157	7	—	405	569
He Shiji (note ii)	1	30	—	4	35
Wang Shaohua (note ii)	1	—	—	4	5
Pei Qingrong (note ii)	1	—	—	4	5
	1,932	3,197	614	4,776	10,519

notes:

(i) Mr. Zhong Xianhua was appointed as executive director of the Company on 4 January 2010.

(ii) Messrs. He Shiji, Wang Shaohua and Pei Qingrong resigned as executive directors of the Company on 4 January 2010. All of them are retained as advisors of the Company.

11. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company whose emolument is included in the disclosure in Note 10 above. The emolument of the remaining one (2010: one) individual is as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	**848**	846
Bonus	**212**	71
Share-based payments	**18**	459
Contributions to retirement benefits schemes	**10**	10
Total emolument	**1,088**	1,386

No emoluments were paid by the Group to the directors of the Company or the above individual as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2011 and 2010.

12. Dividend

	2011 RMB'000	2010 RMB'000
Dividend recognized as distribution during the year:		
2011 Interim — HK1 cent	**9,733**	—

A final dividend of HK0.5 cent per share amounting to approximately HK$5,853,000 (or equivalent to RMB4,867,000) in respect of the year ended 31 December 2011 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

The directors did not recommend the payment of a final dividend for the year ended 31 December 2010.

13. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings	**2011 RMB'000**	2010 RMB'000
Earnings for the purpose of basic earnings per share	**69,813**	77,648
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	**5,822**	5,509
Change in fair value of derivative financial instruments	**(35,526)**	(29,492)
Earnings for the purpose of diluted earnings per share	**40,109**	53,665

Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,132,298**	990,095
Effect of dilutive potential ordinary shares: convertible loan notes	**136,986**	136,986
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,269,284**	1,127,081

The computation of diluted earnings per share for the years ended 31 December 2011 and 2010 does not assume the exercise of the outstanding share options as the exercise price is higher than the average market price of the Company's shares during the relevant year.

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share in 2010 and 2011 have been adjusted for the bonus element of the Open Offer (as defined in Note 36) on 28 March 2011.

14. Property, Plant and Equipment

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
AT COST								
At 1 January 2010	115,620	495	495,168	13,304	8,354	14,880	125,147	772,968
Exchange realignment	(54)	(22)	—	(23)	(43)	(44)	—	(186)
Additions	156	269	61,415	3,638	3,148	4,041	242,463	315,130
Disposals	—	(122)	(17,843)	(1,394)	(574)	(2,595)	—	(22,528)
Transfer	27,409	—	126,872	—	—	—	(154,281)	—
At 31 December 2010	143,131	620	665,612	15,525	10,885	16,282	213,329	1,065,384
Exchange realignment	(47)	(19)	—	(13)	(26)	(38)	—	(143)
Additions	10,392	57	106,530	1,967	3,399	1,829	161,238	285,412
Disposals	—	—	(19,143)	(832)	(853)	(1,095)	—	(21,923)
Eliminated on disposal of a subsidiary (Note 46)	—	(154)	—	(314)	(868)	—	—	(1,336)
Transfer	84,575	—	190,936	—	—	258	(275,769)	—
At 31 December 2011	238,051	504	943,935	16,333	12,537	17,236	98,798	1,327,394
ACCUMULATED DEPRECIATION								
At 1 January 2010	3,623	325	88,822	4,941	2,486	4,271	—	104,468
Exchange realignment	(4)	(13)	—	(20)	(38)	(37)	—	(112)
Provided for the year	6,214	127	64,857	3,679	1,532	3,225	—	79,634
Eliminated on disposals	—	(70)	(6,188)	(1,124)	(452)	(2,309)	—	(10,143)
At 31 December 2010	9,833	369	147,491	7,476	3,528	5,150	—	173,847
Exchange realignment	(5)	(12)	—	(12)	(25)	(36)	—	(90)
Provided for the year	7,981	56	78,610	3,018	1,901	2,941	—	94,507
Eliminated on disposals	—	—	(16,017)	(785)	(853)	(1,030)	—	(18,685)
Eliminated on disposal of a subsidiary (Note 46)	—	(33)	—	(308)	(838)	—	—	(1,179)
At 31 December 2011	17,809	380	210,084	9,389	3,713	7,025	—	248,400
Carrying Value								
At 31 December 2011	220,242	124	733,851	6,944	8,824	10,211	98,798	1,078,994
At 31 December 2010	133,298	251	518,121	8,049	7,357	11,132	213,329	891,537

14. Property, Plant and Equipment (continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of 20 years or the remaining lease terms
Leasehold improvements	Over the shorter of the lease terms and the useful life of 5 years
Plant and machinery	10%
Furniture, fixtures and equipment	15%–20%
Computers	10%–33%
Motor vehicles	16%–25%

Included in leasehold land and buildings are certain owner-occupied leasehold land and buildings of approximately RMB1,247,000 (2010: RMB1,317,000) in Hong Kong, where in the opinion of the directors of the Company, allocation between the land and building elements could not be made reliably. The remaining balance of approximately RMB218,995,000 (2010: RMB131,981,000) represented buildings located in the PRC.

During the year ended 31 December 2011, the Group received government subsidiary of RMB12,000,000 (2010: RMB19,800,000) as a result of its expansion of production capacity in the heavy industry. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

The leasehold land and buildings are situated on:

	2011 RMB'000	2010 RMB'000
Leasehold land in Hong Kong:		
Long leases	**1,247**	1,317
Land in the PRC:		
Medium term leases	**218,995**	131,981
	220,242	133,298

The carrying value of motor vehicles of approximately RMB10,211,000 (2010: RMB11,132,000) includes an amount of approximately RMB40,000 (2010: RMB92,000) in respect of assets held under finance leases.

Property, plant and equipment of approximately RMB1,287,000 (2010: RMB1,409,000) at the end of the reporting period were pledged to secure banking facilities granted to the Group.

15. Prepaid Lease Payments

	2011 RMB'000	2010 RMB'000
Balance at the beginning of the year	**32,793**	45,912
Additions	**145,576**	—
Released to profit or loss	**(2,861)**	(751)
Government grant	**—**	(12,368)
Balance at the end of the year	**175,508**	32,793
Current portion	**(3,601)**	(689)
Non-current portion	**171,907**	32,104

During the year ended 31 December 2010, the Group received government subsidy of approximately RMB12,368,000 as a result of its investment in a developing industrial zone of Liuzhou. The subsidy was deducted from the costs of prepaid lease payments. No subsidy was received during the year ended 31 December 2011.

The amounts represent upfront payments for the right to use land under medium term lease in the PRC for periods between 40 to 50 years.

As of 31 December 2011, the Group had not obtained the formal title to certain of these land interests, the carrying value of which at that date was approximately RMB72,306,000 (2010: nil). In the opinion of the directors, the absence of formal title to these land interest does not impair their carrying value to the Group as the Group has paid the full purchase consideration of these land interests and the probability of being evicted on the ground of an absence of formal title is remote.

16. Premium on Prepaid Lease Payments

The amount represents the fair value adjustment on the prepaid lease payments through acquisition of subsidiaries and is released over the lease term of the related prepaid lease payments on a straight line basis.

17. Investment Properties

	2011 RMB'000	2010 RMB'000
FAIR VALUE		
At 1 January	**27,103**	25,141
Exchange realignment	**(886)**	(996)
Net increase in fair value recognized in profit or loss	**—**	2,958
At 31 December	**26,217**	27,103

All of the Group's investment property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The Group's investment properties are all situated in Hong Kong and are held under long leases.

The fair value of the Group's investment properties at 31 December 2011 was arrived at on the basis of a valuation carried out on that day by Vigers Appraisal & Consulting Limited ("Vigers"), independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar transactions.

At the end of the reporting period, all of the Group's investment properties were pledged to secure banking facilities granted to the Group.

18. Intangible Assets

	Stock exchange trading rights RMB'000
COST	
At 1 January 2010 and 31 December 2010	9,212
Eliminated on disposal of a subsidiary (Note 46)	(4,732)
At 31 December 2011	4,480
IMPAIRMENT	
At 1 January 2010 and 31 December 2010	8,284
Eliminated on disposal of a subsidiary (Note 46)	(4,432)
At 31 December 2011	3,852
CARRYING VALUE	
At 31 December 2011	628
At 31 December 2010	928

In the opinion of the directors of the Company, the carrying amounts of the stock exchange trading rights, which are considered to have indefinite useful lives, approximate to their recoverable amounts which are based on their market values.

19. Interest in an Associate

On 21 May 2010, the Group disposed of its 30% interest in 柳州五菱物流有限公司 ("Wuling Logistics"), which was a limited liability company established in the PRC and was engaged in the business of logistic services, to an independent third party for a consideration of approximately RMB2,291,000 and a gain on disposal of approximately RMB1,572,000 was recognized in profit or loss.

The summarized financial information in respect of the Group's associate was set out below:

	2010 RMB'000
Total assets	—
Total liabilities	—
Net assets	—
Group's share of net assets of an associate	—
Revenue	43,976
Loss for the year	(5,718)
Group's share of result of an associate for the year	(1,715)

20. Available-for-sale Investments

These investments represent unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2010, an investment of RMB135,000 was disposed at a consideration of approximately RMB948,000 and a gain on disposal of approximately RMB813,000 was recognized in profit or loss.

21. Deposits for Acquisition of Land Use Rights

The amount represents the deposit paid to an independent third party for acquisition of land use rights located in the PRC for construction of a new production plant. The related capital commitments of approximately RMB14,400,000 (2010: RMB114,950,000) are disclosed in Note 38.

22. Deposits for Acquisition of Property, Plant and Equipment

The related capital commitments of approximately RMB141,725,000 (2010: RMB96,158,000) for property, plant and equipment and construction in progress are disclosed in Note 38.

23. Inventories

	2011 RMB'000	2010 RMB'000
Raw materials	**348,812**	589,926
Work in progress	**67,368**	100,005
Finished goods	**135,796**	205,905
	551,976	895,836

24. Loan Receivables

As at 31 December 2010, the balances comprised margin clients account receivables of approximately RMB50,000 which were secured by the underlying pledged securities, repayable on demand and bore interest at annual effective rates of 10% to 11% per annum. No aged analysis was disclosed, as in the opinion of the directors of the Company, an aged analysis was not relevant in view of the nature of the business of securities margin financing.

At 31 December 2011, no loan receivable was outstanding following the Group's disposal of subsidiaries in July 2011.

25. Trade and Other Receivables and Bills Receivables Discounted with Recourse

(i) Trade and other receivables

	2011 RMB'000	2010 RMB'000
Trade and bills receivables		
— SGMW (note a)	**3,565,886**	2,243,699
— Liuzhou Wuling Group (note b)	**97,352**	76,414
— third parties	**1,967,133**	1,967,000
	5,630,371	4,287,113
Less: Allowance for doubtful debts	**(6,818)**	(5,551)
	5,623,553	4,281,562
Other receivables:		
Prepayments for expenses	**3,847**	10,958
Prepayments for purchase of raw materials (note c)	**454,768**	459,677
Value-added tax recoverable	**26,025**	—
Others	**20,389**	15,637
	505,029	486,272
Total trade and other receivables	**6,128,582**	4,767,834

notes:

(a) Liuzhou Wuling is a substantial shareholder of the Company which, indirectly, has significant influence over the Company and SAIC-GM-Wuling Automobile Co., Limited ("SGMW").

(b) Being Liuzhou Wuling and its subsidiaries and associates other than the Group (collectively referred to as the "Liuzhou Wuling Group").

(c) Included in the balance were amounts of approximately RMB204,166,000 (2010: RMB244,663,000) paid to SGMW.

The Group allows a credit period of 180 days for sales of goods to its trade customers.

25. Trade and Other Receivables and Bills Receivables Discounted with Recourse (continued)

(i) Trade and other receivables (continued)

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts) of approximately RMB2,418,520,000 (2010: RMB1,984,759,000) presented based on the invoice date at the end of the reporting period.

	2011 RMB'000	2010 RMB'000
0–90 days	**2,320,386**	1,900,587
91–180 days	**26,713**	52,135
181–365 days	**58,020**	20,011
Over 365 days	**13,401**	12,026
	2,418,520	1,984,759

The Group's bills receivables of approximately RMB3,205,033,000 (2010: RMB2,296,803,000) based on the maturity period at the end of the reporting period is aged within 90 days (2010: 90 days).

Ageing of trade receivables which are past due but not impaired

	2011 RMB'000	2010 RMB'000
181–365 days	**58,020**	20,011
Over 365 days	**13,401**	12,026
Total	**71,421**	32,037

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating its historical credit record and defines its credit limit. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The settlement term of trade receivables arising from the Group's securities dealing and brokerage business is two days after the trade date. Such trade receivables were not material as at 31 December 2010. At 31 December 2011, no such receivable was outstanding after the disposal of subsidiaries in July 2011.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately RMB71,421,000 (2010: RMB32,037,000) which were past due over 180 days at the end of the reporting period but for which the Group has not provided impairment loss because the Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements.

25. Trade and Other Receivables and Bills Receivables Discounted with Recourse (continued)

(i) Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
Balance at the beginning of the year	**5,551**	7,080
Exchange realignment	**(68)**	(94)
Amounts recovered during the year	**(1,223)**	(2,786)
Impairment losses recognized on trade receivables	**2,694**	2,554
Amounts written off as uncollectible	**(136)**	(1,203)
Balance at the end of the year	**6,818**	5,551

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB6,818,000 (2010: RMB5,551,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2010: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in Note 29(ii).

26. Held-for-trading Investments

	2011 RMB'000	2010 RMB'000
Listed equity investments, at market value:		
Hong Kong	**5**	7

27. Client Trust Bank Accounts

At 31 December 2010, the balance represented clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed by the Securities and Futures Ordinance. The Group classified the clients' monies as client trust bank accounts under the current assets section of the consolidated statement of financial position and recognized the corresponding accounts payable to respective clients on the ground that it was liable for any loss or misappropriation of clients' monies. The Group was not allowed to use the clients' monies to settle its own obligations. No balance was outstanding following the Group's disposal of the relevant subsidiaries in July 2011 (Note 46).

The amount in the Group's client trust bank accounts were all denominated in Hong Kong dollars ("HKD").

28. Pledged Bank Deposits/Bank Balances/Bank Overdrafts

The pledged bank deposits are used to secure the bills payable and short-term bank borrowings which are payable within one year. Accordingly, the pledged bank deposits are classified as current assets. Bank balances and cash comprise cash held by the Group with the original maturity of three months or less.

The pledged bank deposits and bank balances carried variable interest rates as follows:

	2011	2010
Pledged deposits	**1.31%–3.3%**	1.17% to 2.35%
Bank balances	**0.0001%–1.31%**	0.1% to 1.17%

The amounts of the Group's pledged bank deposits and bank balances and cash denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2011 RMB'000	2010 RMB'000
HKD	**17,007**	10,205

Bank overdrafts

Bank overdrafts carry prevailing market interest rates of 5.0% per annum for the year ended 31 December 2011.

29. Trade and Other Payables and Advances Drawn on Bills Receivables Discounted with Recourse

(i) Trade and other payables

	2011 RMB'000	2010 RMB'000
Trade and bills payables:		
— SGMW	**173,187**	125,841
— Liuzhou Wuling Group	**47,426**	8,930
— third parties	**5,151,804**	5,569,863
	5,372,417	5,704,634
Other payables and accruals	**541,663**	538,384
Total trade and other payables	**5,914,080**	6,243,018

29. Trade and Other Payables and Advances Drawn on Bills Receivables Discounted with Recourse (continued)

(i) Trade and other payables (continued)

The following is an aged analysis of the Group's trade payables of approximately RMB2,080,952,000 (2010: RMB2,577,301,000) presented based on the invoice date at the end of the reporting period.

	2011 RMB'000	2010 RMB'000
0–90 days	**1,917,107**	2,540,310
91–180 days	**116,672**	7,777
181–365 days	**31,492**	16,416
Over 365 days	**15,681**	12,798
	2,080,952	2,577,301

The Group's bills payables of approximately RMB3,291,465,000 (2010: RMB3,127,333,000) based on the maturity period at the end of the reporting period is aged within 90 days (2010: 90 days).

The settlement terms of the trade payables arising from the Group's securities dealing and brokerage business were two days after the trade date. Such trade payables were not material as at 31 December 2010 (2011: Nil). The Group is granted credit period of 90 days to 180 days by its trade suppliers for purchase of goods.

The amount of the Group's trade and other payables denominated in a currency other than the functional currency of the relevant group entities are set out below:

	2011 RMB'000	2010 RMB'000
HKD	**4,924**	12,114

(ii) Advances drawn on bills receivables discounted with recourse

The amounts represent the Group's bank borrowings secured by bills discounted to banks with recourse (see Note 25(ii)). The ranges of effective interest rates per annum in respect of these bank borrowings are as follows:

	2011 %	2010 %
Effective interest rates per annum	**4.17**	1.80 to 2.25

30. Amounts due to Shareholders

	2011 RMB'000	2010 RMB'000
Liuzhou Wuling (note i)	**822,816**	871,850
Wuling (Hong Kong) Holdings Limited ("Wuling HK") (note ii)	**81,927**	84,696
	904,743	956,546
Carrying amount repayable:		
On demand or within one year	**577,979**	627,013
More than one year, but not exceeding two years	**326,764**	329,533
	904,743	956,546
Less: Amount due within one year shown under current liabilities	**(577,979)**	(627,013)
Amount shown under non-current liabilities	**326,764**	329,533

notes:

(i) The entire balance is unsecured and interest-free. Other than an amount of RMB244,837,000 (2010: RMB244,837,000) which is repayable one year after the end of the reporting period, the balance is repayable on demand.

(ii) Wuling HK is a wholly owned subsidiary of Liuzhou Wuling and holds equity interest in the Company from which it can exercise significant influence over the Company. The amount is unsecured, bearing interest at 4.5% per annum and repayable one year after the end of the reporting period.

31. Provision for Warranty

	RMB'000
At 1 January 2010	111,739
Additional provision in the year	87,466
Utilization of provision	(73,540)
At 31 December 2010	125,665
Additional provision in the year	64,848
Utilization of provision	(65,796)
At 31 December 2011	124,717

The warranty provision represents management's best estimate under its 2-year product warranty granted to its specialized vehicles, automobile components and engines customers. However, based on prior experience and industry averages for defective products, it is expected that the majority of this expenditure will be incurred in the next financial year.

32. Derivative Financial Instrument/Convertible Loan Notes

On 12 January 2009, the Company issued convertible loan notes with an aggregate principal sum of HKD100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling HK, a substantial shareholder with significant influence over the Company ("CN 2014"). CN 2014 is denominated in HKD and carries interest at 6% per annum with maturity on 12 January 2014. CN 2014 entitles the holder to convert, in whole or in part, the principal sum into ordinary shares of the Company on any business days commencing from 12 January 2010 upto the fifth business days prior to the maturity date, at a conversion price of HKD0.74 per ordinary share, subject to anti-dilutive adjustments. If not converted, CN 2014 will be redeemed on the maturity date at par.

As a result of the share placement and subscription at a discount as set out in Note 36, the conversion price of CN 2014 was adjusted from HKD0.74 per share to HKD0.73 per share with effect from 12 March 2010.

The convertible loan notes contain two components, liability component and conversion option derivative. The effective interest rate of the liability component is 11.64%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

The movement of the liability component of CN 2014 during the year is as follows:

	2011 **RMB'000**	2010 RMB'000
At the beginning of the year	**77,691**	77,402
Effective interest expense	**8,412**	8,419
Interest paid	**(4,989)**	(5,220)
Exchange difference	**(2,590)**	(2,910)
At the end of the year	**78,524**	77,691

Movement in fair value of the conversion option component of CN 2014 during the year is as follows:

	2011 **RMB'000**	2010 RMB'000
At the beginning of the year	**54,369**	83,861
Changes in fair value during the year	**(35,526)**	(29,492)
At the end of the year	**18,843**	54,369

32. Derivative Financial Instrument/Convertible Loan Notes (continued)

The methods and assumptions applied for the valuation of CN 2014 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was calculated based on a valuation provided by Grant Sherman Appraisal Limited, a firm of independent professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 11.64%, which was determined with reference to the credit rating of the Company and remaining time to maturity.

(ii) Valuation of conversion option component

The conversion option component was measured at fair value using the Binomial Option Pricing Model, at the end of the reporting period by Vigers. The inputs into the model as at the respective dates are as follows:

	2011	2010
Share price	**HKD0.66**	HKD0.92
Conversion price	**HKD0.73**	HKD0.73
Expected dividend yield	**0.83%**	0%
Volatility	**56.40%**	68.90%

33. Bank Borrowings

	2011 RMB'000	2010 RMB'000
Secured	**65,274**	28,426
Unsecured	**1,132,646**	214,967
	1,197,920	243,393
Carrying amount repayable:		
On demand or within one year	**1,135,796**	170,978
More than one year, but not more than two years	**1,852**	1,095
More than two years, but not more than five years	**4,051**	1,777
More than five years	**17,255**	—
	1,158,954	173,850
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities) (note (i))	**38,966**	—
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) (note (ii))	**—**	69,543
	1,197,920	243,393
Less: Amount due within one year shown under current liabilities	**(1,174,762)**	(240,521)
Amount shown under non-current liabilities	**23,158**	2,872

notes:

(i) As at 31 December 2011, the Group has breached certain covenants in respect of a bank borrowing of approximately RMB38,966,000 (2010: Nil). Such borrowing was therefore treated as repayable on demand and classified as current liabilities in the consolidated statement of financial positions. In March 2012, the Group has obtained a waiver letter from the bank and such amount was therefore reclassified thereafter in accordance to the scheduled repayment dates set out in the loan agreement accordingly (see Note 48).

(ii) As at 31 December 2010, the Group had bank borrowings of approximately RMB69,543,000 which were not repayable within one year but contain a repayment on demand clause. In 2011, the relevant banks have agreed to waive the repayment on demand clause on all such bank borrowings. Accordingly, these bank borrowings will be repaid according to their scheduled repayment dates set out in the loan agreements.

33. Bank Borrowings (continued)

The exposure of the Group's borrowings and the contractual maturity dates are as follows:

	2011 RMB'000	2010 RMB'000
Fixed-rate borrowings		
On demand or within one year	**1,010,882**	150,095
More than one year, but not more than two years	**882**	1,094
More than two years, but not more than five years	**882**	1,778
	1,012,646	152,967
Variable-rate borrowings		
On demand or within one year	**124,914**	20,883
More than one year, but not more than two years	**970**	—
More than two years, but not more than five years	**3,169**	—
More than five years	**17,255**	—
	146,308	20,883
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**38,966**	—
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment of demand clause (shown under current liabilities)	**—**	69,543
	185,274	90,426
Total borrowings	**1,197,920**	243,393

At 31 December 2011, except for bank borrowings of approximately RMB26,525,000 (2010: RMB25,108,000) and RMB2,646,000 (2010: RMB3,967,000) which were denominated in HKD and Euro, respectively, all the Group's bank borrowings were denominated in RMB.

The collaterals for the Group's secured bank borrowings are:

(i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount of approximately RMB26,217,000 (2010: RMB27,103,000) as set out in Note 17.

(ii) a mortgage over the Group's property, plant and equipment which had a carrying value at the end of the reporting period of approximately RMB1,287,000 (2010: RMB1,409,000) as set out in Note 14.

(iii) a pledged bank deposit of approximately RMB16,717,000 (2010: RMB4,235,000).

33. Bank Borrowings (continued)

The Group's secured bank borrowings are also supported by a personal guarantee to the extent of HKD33,345,000 (2010: HKD15,000,000) given by Mr. Lee Shing, an executive director and shareholder whose shareholding give him significant influence over the Company.

The Group's unsecured bank borrowings are supported by corporate guarantee to the extent of RMB500,000,000 (2010: RMB400,000,000) given by Liuzhou Wuling.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2011 **%**	2010 %
Effective interest rate:		
Fixed rate borrowings	**4.5 to 6.89**	4.5 to 5.31
Variable-rate borrowings	**1.23 to 6.56**	1.87 to 5.75

34. Obligations under Finance Leases

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is five years (2010: five years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 4.8% (2010: 4.8% to 5.5%).

	Minimum lease payments		**Present value of minimum lease payments**	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Amounts payable under finance leases				
Within one year	**92**	98	**74**	79
In more than one year but not more than two years	**—**	98	**—**	79
	92	196	**74**	158
Less: Future finance charges	**(18)**	(38)	**N/A**	N/A
Present value of lease obligations	**74**	158	**74**	158
Less: Amount due for settlement with 12 months			**(74)**	(79)
Amount due settlement after 12 months			**—**	79

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

All financial lease obligations are denominated in HKD.

35. Deferred Tax Liabilities

The following are the major deferred tax liabilities (assets) recognized and movements thereon during the current and prior years:

	Accelerated tax depreciation RMB'000	Revaluation of properties RMB'000	Tax losses RMB'000	Withholding tax on undistributed earnings of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2010	88	270	(253)	6,728	6,833
Exchange realignment	(2)	(15)	14	—	(3)
(Credit) charge to profit or loss	(64)	205	(176)	2,732	2,697
At 31 December 2010	22	460	(415)	9,460	9,527
Exchange realignment	(1)	(11)	10	—	(2)
(Credit) charge to profit or loss	(1)	(274)	242	4,787	4,754
Eliminated on disposal of a subsidiary	(10)	—	10	—	—
At 31 December 2011	10	175	(153)	14,247	14,279

At the end of the reporting period, the Group had unused tax losses of approximately RMB236,619,000 (2010: RMB235,841,000). A deferred tax asset has been recognized in respect of tax losses of approximately RMB1,022,000 (2010: RMB2,766,000). No deferred tax assets has been recognized in respect of the remaining tax losses of approximately RMB235,597,000 (2010: RMB233,075,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences arising from the accrual on early retirement benefits amounting to RMB35,633,000 (2010: RMB32,767,000).

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been fully provided for in the consolidated financial statements in respect of withholding tax on undistributed earnings of the PRC subsidiaries.

36. Share Capital

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.004 each	25,000,000,000	100,000
Convertible preference shares of HK$0.001 each	1,521,400,000	1,521
Balance at 1 January 2010, 31 December 2010 and 31 December 2011		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
As at 1 January 2010	917,288,049	3,669
Issue of new shares on 12 March 2010 (note a)	84,008,000	336
Exercise of share options (Note 37)	2,080,000	8
As at 31 December 2010	1,003,376,049	4,013
Issue of new shares upon open offer (note b)	167,229,341	669
As at 31 December 2011	1,170,605,390	4,682

	RMB'000
Shown in the consolidated financial statements as	
— 31 December 2011	4,524
— 31 December 2010	3,961

notes:

(a) On 21 January 2010, the Company entered into conditional share placement agreements with two placing agents, pursuant to which the placing agents agreed to place for the Company, on a best effort basis, up to a maximum of 220,000,000 new ordinary shares in the Company at a placing price of HKD0.85 per share (the "Placing Agreements") on or before 31 March 2010. The placing price represents a discount of approximately 23.42% to the closing price of the Company's shares on 20 January 2010, being the last trading day before the date of the Placing Agreements.

Also on the same date, the Company entered into a conditional share subscription agreement with Wuling HK, a substantial shareholder of the Company, pursuant to which Wuling HK would subscribe ordinary shares in the Company at a subscription price of HKD0.85 per share up to a maximum of 95,100,000 shares. The final number of shares subscribed was to be determined with reference to the number of shares ultimately placed under the Placing Agreements.

The above placement and issuance of shares were inter-conditional and their respective conditions precedent were satisfied on 12 March 2010. As a result, these transactions were completed on 12 March 2010 whereby 58,220,000 and 25,788,000 ordinary shares of the Company were issued to independent placees and Wuling HK, respectively.

(b) Pursuant to an ordinary resolution passed at a special general meeting of the Company on 8 March 2011, an issue of shares by the Company at a price of HK$0.90 per share on the basis of one share for every six existing shares then held (the "Open Offer") was approved. The Open Offer was completed on 28 March 2011 and a total of 167,229,341 new shares were issued, resulting in gross proceeds of approximately HK$150,506,000 (equivalent to approximately RMB126,644,000) to the Company. The proceeds from the Open Offer provide additional working capital to finance the Group's daily operations.

The new shares issued pursuant to the Open Offer ranked pari passu in all respects with the existing shares then in issue.

37. Share Option Scheme

On 11 June 2002, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme will expire on 7 July 2012.

(i) A summary of the Scheme is as follows:

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

(a) any employee(s) (whether full-time or part-time employee(s), including any executive director but not any non-executive director) of the Company and its subsidiaries;

(b) any non-executive director (including independent non-executive directors) of the Company and its subsidiaries;

(c) any supplier of goods or services to any member of the Group;

(d) any customer of the Group;

(e) any person or entity that provides research, development or other technological support to the Group; and

(f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group.

Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents at the end of the reporting period

117,060,539 (2010: 100,129,604) ordinary shares, being 10% (2010: 10%) of the issued share capital.

Maximum entitlement of each participant

The maximum number of ordinary shares shall not exceed 1% of the issued ordinary share capital of the Company in issue in any 12-month period.

Period within which the securities must be taken up under an option

Subject to the discretion on issuance of board of directors.

Minimum period for which an option must be held before it can be exercised

Not applicable.

37. Share Option Scheme (continued)

(i) A summary of the Scheme is as follows: (continued)

Amount payable on acceptance

HK$1.00

Period within which payments/calls/loans must be made/repaid

Not applicable.

Basis of determining the exercise price

Determined by the directors of the Company at their discretion and shall not be lower than the highest of:

(a) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day;

(b) the average closing price of the ordinary shares on the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of an ordinary share.

The remaining life of the scheme

The Scheme will be valid and effective until 7 July 2012, after which no further options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Rules Governing the Listing of Securities on the Stock Exchange which are granted during the duration of the Scheme and remain unexercised immediately prior to 7 July 2012 shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the Scheme.

37. Share Option Scheme (continued)

(ii) The following table discloses details of the Company's share options held by directors, advisors and employees and movements in such holding during the current and prior years:

For the year ended 31 December 2011

				Number of share options				
Date of grant	Vesting period	Exercise period	Adjusted exercise price per share (note i)	As at 1 January 2011	Adjustments (note ii)	Reclassified during the year (note iii)	Forfeited during the year (note iv)	As at 31 December 2011
Directors								
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HKD1.062	6,600,000	49,997	—	—	6,649,997
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HKD1.062	6,600,000	49,997	—	—	6,649,997
				13,200,000	99,994	—	—	13,299,994
Advisors								
29 December 2009	Nil	From 30 December 2009 to 31 December 2012	HKD1.062	2,500,000	24,242	700,000	(705,303)	2,518,939
29 December 2009	From 30 December 2009 to 29 December 2010	From 30 December 2010 to 31 December 2013	HKD1.062	2,500,000	24,242	700,000	(705,303)	2,518,939
				5,000,000	48,484	1,400,000	(1,410,606)	5,037,878
Employees (Continuous Contracts)								
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HKD1.062	28,270,000	208,867	(700,000)	(3,858,903)	23,919,964
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HKD1.062	30,350,000	224,624	(700,000)	(4,171,474)	25,703,150
				58,620,000	433,491	(1,400,000)	(8,030,377)	49,623,114
Total				76,820,000	581,969	—	(9,440,983)	67,960,986
Exercisable at year end								67,960,986

notes:

(i) All outstanding share options were granted on 29 December 2009 and their original initial exercise price is HK$1.07 per share. Upon the completion of the Open Offer on 28 March 2011 and with effect from 29 March 2011, their exercise price was adjusted to HK$1.062 per share.

(ii) The number of share options was adjusted to take into account the effect of the Open Offer.

(iii) During the year ended 31 December 2011, an employee resigned from the Company and was retained as an advisor to the Group to provide advice on the Group's operation directions. His respective share options were reclassified from the Employees' category to the Advisors' category accordingly.

(iv) During the year ended 31 December 2011, two subsidiaries were disposed of, and certain advisors and employees of the Group resigned. Their respective share options were forfeited accordingly.

37. Share Option Scheme (continued)

(ii) The following table discloses details of the Company's share options held by directors, advisors and employees and movements in such holding during the current and prior years: (continued)

For the year ended 31 December 2010

Date of grant	Vesting period	Exercise period	Exercise price per share	Notes	Number of share options: As at 1 January 2010	Reclassified during the year	Exercised during the year	As at 31 December 2010
Directors								
29 December 2009	Nil	From 30 December 2009 to 31 December 2012	HKD1.070	(i) (iii)	2,500,000	(2,500,000)	—	—
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HKD1.070	(ii) (iv)	5,900,000	700,000	—	6,600,000
29 December 2009	From 30 December 2009 to 29 December2010	From 30 December 2010 to 31 December 2013	HKD1.070	(i) (iii)	2,500,000	(2,500,000)	—	—
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HKD1.070	(ii) (iv)	5,900,000	700,000	—	6,600,000
					16,800,000	(3,600,000)	—	13,200,000
Advisors								
29 December 2009	Nil	From 30 December 2009 to 31 December 2012	HKD1.070	(i)	—	2,500,000	—	2,500,000
29 December 2009	From 30 December 2009 to 29 December 2010	From 30 December 2010 to 31 December 2013	HKD1.070	(i) (iii)	—	2,500,000	—	2,500,000
					—	5,000,000	—	5,000,000
Employees (Continuous Contracts)								
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HKD1.070	(ii) (iv) (v)	31,050,000	(700,000)	(2,080,000)	28,270,000
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HKD1.070	(ii) (iv)	31,050,000	(700,000)	—	30,350,000
					62,100,000	(1,400,000)	(2,080,000)	58,620,000
Total					78,900,000	—	(2,080,000)	76,820,000
Exercisable at year end								39,870,000

notes:

(i) Messors. He Shiji, Wang Shaohua and Pei Qiugrong resigned as executive directors of the Company on 4 January 2010. All of them are retained as advisors of the Company to provide advice on the Group's operation directions. Their respective share options were reclassified from the Directors' category to the Advisors' category. During the year ended 31 December 2010, the fair value of the share options granted to these advisors which was charged to the consolidated statement of comprehensive income amounted to RMB1,023,000.

(ii) Mr. Zhong Xianhua was an employee of the Company prior to 4 January 2010 and was appointed as an executive director of the Company on 4 January 2011. All his share options were reclassified from the Employees' category to the Directors' category.

(iii) The granted options were accepted and becoming effective on 30 December 2009.

(iv) The granted options were accepted and becoming effective on 21 January 2010.

(v) The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK$1.41.

37. Share Option Scheme (continued)

(ii) The following table discloses details of the Company's share options held by directors, advisors and employees and movements in such holding during the current and prior years: (continued)

Included in the share options granted to the employees were 700,000 share options which were granted to an employee of the Company who is the spouse of Mr. Lee Shing, an executive director and has significant influence over the Company.

The fair values of the share options were calculated by Vigers using the Binominal Option Pricing Model (the "Model"). The Model is one of the commonly used models to estimate the fair value of the options. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the Model were as follows:

	21 January 2010
Share price	HKD1.060
Exercise price	HKD1.070
Expected life	3 to 4 years
Standard deviation	63.0% to 65.2%
Dividend yield	0%
Risk-free interest rate	1.117% to 1.547%
Fair value per option	HKD0.3606 to HKD0.4708

Expected volatility of 63.0% to 65.2% was determined by comparing to companies in similar industry. The expected life used in the Model was adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

Certain share options were granted with no vesting period while certain share options were granted with a vesting period of one year starting from the date of acceptance. During the year ended 31 December 2011, an amount of RMB878,000 (2010: RMB25,689,000) was recognized as expenses incurred, which represents amortisation of the fair value of the share options on a straight-line basis over the vesting period attached to these share options. The amount was charged in the consolidated statement of comprehensive income with a corresponding credit to share option reserve.

At 31 December 2011, all outstanding share options were fully vested (2010: 39,870,000 share options were vested).

The closing price of the Company's shares immediately before 21 January 2010, the relevant date of the grant or acceptance, was HKD1.060.

38. Capital and Other Commitments

	2011 RMB'000	2010 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	**208,198**	115,828
— property, plant and equipment	**64,497**	103,318
	272,695	219,146
Other commitments contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— land use rights	**14,400**	114,950
	287,095	334,096

39. Pledge of Assets

At the respective end of the reporting period, the Group's bank borrowings and credit facilities from financial institutions were secured by the following:

	2011 RMB'000	2010 RMB'000
Bank deposits	**498,138**	952,549
Property, plant and equipment	**1,287**	1,409
Investment properties	**26,217**	27,103
Bills receivables discounted with recourse	**232,736**	1,418,202
	758,378	2,399,263

40. Retirement Benefits Plans

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong (the "MPF Scheme").The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The total cost charged to profit or loss of approximately RMB55,725,000 (2010: RMB60,463,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

41. Non-cash Transaction

During the year ended 31 December 2011, deposits paid for acquisition of property, plant and equipment and prepaid lease payment of approximately RMB183,229,000 (2010: RMB47,175,000) and RMB40,000,000 (2010: Nil), respectively, were transferred to property, plant and equipment.

42. Operating Leases

The Group as lessor

Machinery rental income earned during both years are as disclosed in Note 6. At 31 December 2011, all machineries held have no committed lessee (2010: one year).

Properties rental income earned during the year was RMB678,000 (2010: RMB600,000). At 31 December 2011, all of the properties held have no committed tenant (2010: one year).

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease receipts:

	2011 **RMB'000**	2010 RMB'000
Within one year	**—**	185

The Group as lessee

Minimum lease payments made under operating leases during the year was RMB39,094,000 (2010: RMB36,505,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**36,312**	35,616
In the second to fifth year inclusive	**950**	35,970
	37,262	71,586

Operating lease payments represent rental payable by the Group for certain of its office and warehouse properties with fixed monthly rentals for an average term of three years.

43. Related Party Disclosures

(i) Related party transactions

Company	Transactions	2011 RMB'000	2010 RMB'000
SGMW	Sales of goods by the Group	**7,906,498**	7,514,397
	Purchases of materials by the Group	**1,948,559**	1,805,315
	Sales of raw materials by the Group	**271,012**	483,645
	Warranty costs incurred by the Group	**44,229**	61,448
Liuzhou Wuling Group	Sales of raw materials and automobile components by the Group	**138,335**	72,770
	Sales of specialized vehicles by the Group	**—**	9,381
	Purchase of automobiles component and other accessories by the Group	**60,730**	40,875
	Purchases of mini passenger buses by the Group	**89,397**	49,050
	Purchase of air-conditioning parts and accessories by the Group	**1,779**	1,101
	License fee paid by the Group	**3,300**	3,300
	Rental expenses paid by the Group (vii below)	**30,204**	30,204
	Procurement services of water and power by the Group	**1,872**	1,188
	Purchases of electronic devices and components by the Group	**1,783**	2,782
	Interest expenses paid by the Group	**3,737**	1,453
Wuling Logistics (note)	Transportation expense	**—**	28,021
	Purchases of materials by the Group	**—**	198

note: Wuling Logistics, a former associate of the Group, was disposed on 21 May 2010.

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out in Notes 25(i), 29(i) and 30.

(iii) Guarantees provided

(a) Pursuant to an undertaking agreement entered in 2008, Wuling Industrial agreed to provide corporate guarantee to a financial institution to the extent of RMB200,000,000 in respect of revolving banking facilities granted to Liuzhou Wuling.

As at 31 December 2011, Liuzhou Wuling utilized approximately RMB117,319,000 of such banking facilities (2010: RMB113,186,000). In the opinion of the directors of the Company, the fair value of the financial guarantee contract is insignificant.

(b) The guarantees provided to the Group by a director of the Company and by Liuzhou Wuling are set out in Note 33.

43. Related Party Disclosures (continued)

(iv) Compensation of key management personnel

The remuneration of other members of key management for the Group during the year was as follows:

	2011 **RMB'000**	2010 RMB'000
Short-term benefits	**7,111**	6,046
Post-employment benefits	**387**	624
Equity-settled share-based payments	**184**	5,235
	7,682	11,905

(v) Convertible loan notes

Details of convertible loan notes issued to Wuling HK in 2009 are set out in Note 32.

(vi) Share subscription

Details of share subscription by Wuling HK are set out in Note 36(a).

(vii) Commitment

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with Liuzhou Wuling Group which fall due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**30,204**	30,288
In the second to fifth year inclusive	**—**	30,204
	30,204	60,492

44. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of prior year.

The capital structure of the Group consists of debts, which includes the amounts due to shareholders and bank borrowings as disclosed in Notes 30 and 33 respectively, and equity attributable to owners of the Company, comprising issued capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debts.

45. Financial Instruments

(i) Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,224,665**	7,518,473
Available-for-sale financial assets	**360**	360
Held-for-trading investments	**5**	7
Financial liabilities		
Amortised cost	**8,019,485**	8,672,050
Fair value through profit or loss	**18,843**	54,369

(ii) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, bills receivables discounted with recourse, client trust bank accounts, pledged bank deposits, bank balances, trade and other payables, amounts due to shareholders, obligation under finance leases, bank borrowings, advances drawn on bills receivables discounted with recourse, available-for-sale financial assets, held-for-trading investments, derivative financial instrument and convertible loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk, interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The other price risk is considered minimal because the parameters (i.e. share price and volatility) used in determine the fair value of derivative are relatively stable close to the end of the reporting period. Thus there should not be any significant impact to the fair value of derivative and hence no disclosure of other price risk is added.

45. Financial Instruments (continued)

(ii) Financial risk management objectives and policies (continued)

(a) Currency risk

The Group mainly operates in the PRC and the exposure in exchange rate risks mainly arises from fluctuations in HKD and Euro against the functional currency of the relevant group entities. Exchange rate fluctuations and market trends have always been the concern of the Group. The Group currently does not enter into any derivative contracts aimed at minimising the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currency at the end of the reporting period is as follows:

	Assets		Liabilities	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
HKD	**17,527**	15,629	**213,077**	194,084
Euro	**—**	—	**2,646**	3,967

Sensitivity analysis

The Group is mainly exposed to HKD and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against Euro and HKD. 5% is the sensitivity rate used by management for the assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2011 RMB'000	2010 RMB'000
Impact on post-tax profit or loss		
— HKD	**8,311**	7,584
— Euro	**112**	169
	8,423	7,753

45. Financial Instruments (continued)

(ii) Financial risk management objectives and policies (continued)

(b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings due to the fluctuation of the prevailing market interest rate, and exposed to fair value interest rate risk in relation to a fixed-rate amounts due to shareholders, bank borrowings and convertible loan notes. The directors of the Company consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as interest bearing bank balances are within short maturity periods. It's the Group's policy to keep its borrowings at a mixture of floating rate and fixed rate of interest so as to minimise the fair value interest rate risk.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable rate borrowings and bank overdrafts at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout both years in the case of instruments that have floating rates. A 50 basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase by RMB804,000 (2010: decrease by RMB452,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

45. Financial Instruments (continued)

(ii) Financial risk management objectives and policies (continued)

(c) Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 43.

In order to minimise the credit risk, the management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and the amount of contingent liabilities in relation to financial guarantee issued by the Group at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (Note 25) which represents 63% (2010: 43%) of the total trade and bills receivables as at 31 December 2011. For both years, SGMW, which is a well known private company engaging in the business of manufacturing and sales of automobiles in Guangxi, the PRC, has good financial position by reference to its respective financial statements, which are regularly reviewed by the Company's directors. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In view of the significant balance due from SGMW, the Group has kept regular contact with SGMW for updated information. In addition, as the Group has representation in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

In addition, the Group is exposed to concentration credit risk on the deposits for acquisition for land use rights and property, plant and equipment. Including in deposits for acquisition for land use rights and property, plant and equipment represents an amount of RMB10,800,000 and RMB14,240,000, respectively, paid to an independent third party, whose holding company is a private well known automobile mold manufacturing company in Taiwan, which engaged in supplying automobile mold to internationally well known customers in automobile industry. Furthermore, in the opinion of the directors of the Company, the acquisitions will be completed within one year and such deposits will be classified to the land use rights and the appropriate category of property, plant and equipment. In this regard, the directors of the Company believe that the Group's exposure is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks in the PRC with high credit rating.

45. Financial Instruments (continued)

(ii) Financial risk management objectives and policies (continued)

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on advances from a shareholder and also bank borrowings as significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2011								
Non-derivative financial liabilities								
Trade and other payables	—	4,889,268	663,959	47,143	—	—	5,600,370	5,600,370
Advances drawn on bills receivables discounted with recourse	4.17	170,699	62,846	—	—	—	233,545	232,736
Amounts due to shareholders								
— fixed rate	4.50	—	—	—	88,163	—	88,163	81,927
— non-interest bearing	—	577,979	—	—	244,837	—	822,816	822,816
Bank borrowings								
— fixed rate	6.51	5,495	402,319	642,813	1,879	—	1,052,506	1,012,646
— variable rate	6.24	39,930	1,928	130,763	7,223	19,864	199,708	185,275
Bank overdrafts								
— variable rate	5.00	5,138	—	—	—	—	5,138	5,117
Obligations under finance leases	4.80	6	14	58	—	—	78	74
Convertible loan notes	6.00	5,284	—	—	98,637	—	103,921	78,524
		5,693,799	1,131,066	820,777	440,739	19,864	8,106,245	8,019,485
Financial guarantee contracts		—	—	200,000	—	—	200,000	—

45. Financial Instruments (continued)

(ii) Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2010							
Non-derivative financial liabilities							
Trade and other payables	—	5,487,435	451,634	36,991	—	5,976,060	5,976,060
Advances drawn on bills receivables discounted with recourse	2.25	1,450,112	—	—	—	1,450,112	1,418,202
Amounts due to shareholders							
— fixed rate	4.50	—	—	—	88,507	88,507	84,696
— non-interest bearing	—	627,013	—	—	244,837	871,850	871,850
Bank borrowings							
— fixed rate	5.04	34,662	69,324	53,668	3,017	160,671	152,967
— variable rate	2.47	91,286	385	990	—	92,661	90,426
Obligations under finance leases	4.80	7	14	62	83	166	158
Convertible loan notes	6.00	5,224	—	—	77,128	82,352	77,691
		7,695,739	521,357	91,711	413,572	8,722,379	8,672,050
Financial guarantee contracts		—	—	—	200,000	200,000	—

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to RMB69,543,000. Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank borrowings would be repaid 2 to 5 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to RMB71,304,000. As at 31 December 2011, all bank borrowings did not contain a repayment on demand clause.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers it is not probable that the amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of reporting period.

45. Financial Instruments (continued)

(iii) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative financial instrument is calculated using the inputs disclosed in Note 32 by the Binominal Option Pricing Model.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

45. Financial Instruments (continued)

(iii) Fair value (continued)

Fair value measurements recognized in the statement of financial position (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	At 31.12.2011			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Held-for-trading investments	5	—	—	5
Financial liabilities at FVTPL				
Derivative financial instrument	—	—	18,843	18,843

	At 31.12.2010			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Held-for-trading investments	7	—	—	7
Financial liabilities at FVTPL				
Derivative financial instrument	—	—	54,369	54,369

The reconciliation of Level 3 fair value measurement financial liability has been disclosed in Note 32.

46. Disposal of Subsidiaries

On 23 May 2011, the Group entered into a conditional sale and purchase agreement with an independent third party, to dispose of certain subsidiaries that carry out security dealing and margin finance operations for a cash consideration of HK$4,500,000 (equivalent to approximately RMB3,737,000). The disposal was completed in July, 2011.

The aggregate amounts of the assets and liabilities attributable to these subsidiaries on the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	157
Intangible assets	300
Deposits for trading rights	170
Loan receivables	437
Trade and other receivables	1,823
Client trust bank accounts	2,298
Bank balances and cash	3,246
Trade and other payables	(4,634)
Net assets disposed of	3,797
Loss on disposal of subsidiaries:	
Consideration received and receivable	3,737
Net assets disposed of	(3,797)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on disposal of subsidiaries	33
Loss on disposal	(27)
Net cash inflow arising on disposal:	
Cash consideration	3,737
Less: bank balances and cash disposed of	(3,246)
	491

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

47. Financial Information of the Company

The financial information of the Company as at 31 December 2011 and 2010 are as follows:

	Notes	2011 RMB'000	2010 RMB'000
TOTAL ASSETS			
Property, plant and equipment		**71**	79
Interests in subsidiaries		**463,418**	365,943
Prepayments and deposits		**556**	754
Amounts due from subsidiaries		**1,123**	4
Cash and cash equivalents		**16,957**	6,055
		482,125	372,835
TOTAL LIABILITIES			
Other payables and accruals		**2,498**	3,816
Amounts due to subsidiaries		**100,630**	102,399
Amount due to shareholders		**83,169**	84,696
Derivative financial instrument		**18,843**	54,369
Convertible loan notes		**78,524**	77,691
Bank borrowings		**43,289**	66,041
		326,953	389,012
		155,172	(16,177)
CAPITAL AND RESERVES			
Share capital		**4,524**	3,961
Reserves	(i) & (ii)	**150,648**	(20,138)
		155,172	(16,177)

47. Financial Information of the Company (continued)

Notes:

(i) Reserves

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained profit (accumulated losses) RMB'000	Total RMB'000
At 1 January 2010	279,305	156,053	945	(541,058)	(104,755)
Issue of new shares upon placing of shares	62,343	—	—	—	62,343
Share issue expenses	(1,088)	—	—	—	(1,088)
Recognition of equity settled share-based payments	—	—	8,577	—	8,577
Exercise of share options	2,582	—	(653)	—	1,929
Profit for the year	—	—	—	12,856	12,856
At 31 December 2010	343,142	156,053	8,869	(528,202)	(20,138)
Issue of shares upon open offer (Note 36)	126,081	—	—	—	126,081
Share issue expenses	(2,693)	—	—	—	(2,693)
Share premium reduction (note ii)	(466,530)	466,530	—	—	—
Set-off contributed surplus against accumulated losses (note ii)	—	(528,202)	—	528,202	—
Recognition of equity settled share-based payments	—	—	227	—	227
Forfeit of share options	—	—	(464)	464	—
Profit for the year	—	—	—	56,904	56,904
Dividend recognized as distribution	—	—	—	(9,733)	(9,733)
At 31 December 2011	—	94,381	8,632	47,635	150,648

The Company's contributed surplus represents (i) the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganisation on 30 November 1992, over the nominal value of the Company's shares issued in exchange therefore; (ii) the transfer of the credit arising from the cancellation of the paid-up capital in the reduction of the par value of each issued ordinary share. Under The Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but is not presently qualified to do so; and (iii) the transfer of the credit arising from the share premium and the absorption of accumulated losses on 27 May 2011.

(ii) Pursuant to a special resolution passed at the annual general meeting of the Company on 27 May 2011, (i) the entire amount outstanding to the credit of the share premium account of the Company was reduced to nil; (ii) the credit arising from the Share Premium Reduction was transferred to the contributed surplus account of the Company; and (iii) a sum of approximately HK$627,504,000 (equivalent to approximately RMB528,202,000) in the contributed surplus account of the Company was applied to set off against the accumulated losses of the Company.

48. Event after the Reporting Date

In March 2012, the Group has obtained a waiver letter from the bank in respect of a bank borrowing of approximately RMB38,966,000, which the Group has breached certain covenants as at 31 December 2011. Accordingly, such amount was therefore reclassified in accordance to the scheduled repayment dates set out in the loan agreement.

49. Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings 2011 Direct %	Interest holdings 2011 Indirect %	Interest holdings 2010 Direct %	Interest holdings 2010 Indirect %	Principal activities
Wuling Industrial	The PRC 30 October 2006 (note iii)	RMB 960,000,000 (In 2010: RMB767,000,000) (note v)	**50.98 (note i)**	**—**	50.98 (note i)	—	Investment holding and sales of motor vehicles
柳州五菱柳機動力有限公司 Liuzhou Wuling Liuji Motors Company Limited	The PRC 16 June 1993 (note iii)	RMB100,120,000	**—**	**50.98 (note ii)**	—	50.98 (note ii)	Manufacture and sale of petrol engines and motor cycles engines
柳州五菱汽車聯合發展有限公司 Liuzhou Wuling Motors United Development Company Limited	The PRC 25 December 2001 (note iii)	RMB100,000,000	**—**	**50.98 (note ii)**	—	50.97 (note ii)	Manufacture and sale of automobiles spare parts
柳州五菱專用汽車製造有限公司 Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited	The PRC 10 December 2003 (note iii)	RMB15,000,000	**—**	**49.98 (note ii)**	—	49.98 (note ii)	Manufacture and sale of special vehicles
無錫五菱動力機械有限責任公司	The PRC 15 July 2005 (note iii)	RMB6,000,000	**—**	**26 (note ii)**	—	26 (note ii)	Manufacture and sale of accessories of motor vehicles
泰興市菱迪機械有限公司	The PRC 28 March 2004 (note iii)	RMB3,000,000	**—**	**26 (note ii)**	—	26 (note ii)	Manufacture and sale of engines
Hilcrest Limited	British Virgin Islands/ Hong Kong	US$1	**100**	**—**	100	—	Property investment
Watary Investments Limited	British Virgin Islands/ Hong Kong	US$36,000	**100**	**—**	100	—	Investment holding
Dragon Hill Financial Services Holdings Limited	British Virgin Islands/ Hong Kong	US$2,500,000	**100**	**—**	100	—	Investment holding
Dragon Hill Credit Limited	Hong Kong	HKD10,000,000	**—**	**100**	—	100	Money lending

49. Principal Subsidiaries (continued)

Name of subsidiary	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings 2011 Direct %	Interest holdings 2011 Indirect %	Interest holdings 2010 Direct %	Interest holdings 2010 Indirect %	Principal activities
Dragon Hill Financial Services Limited (note iv)	Hong Kong	HKD44,000,000	—	—	—	100	Securities dealing and margin finance
Dragon Hill (HK) Limited	Hong Kong	HKD10	—	100	—	100	Trading of marketable securities
DH Corporate Services Limited	Hong Kong	HKD2	—	100	—	100	Provision of administrative services
Jenpoint Limited	Hong Kong	HKD2	—	100	—	100	Property investment
柳州長鵬汽車零部件有限公司	The PRC 27 June 2011 (note iii)	RMB15,000,000	—	26 (note ii)	—	—	Manufacture and sale of accessories of motor vehicles

Notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and Liuzhou Wuling in 2007, the Company has control on Wuling Industrial, and the Company shares profit or loss of Wuling Industrial according to the amount of its paid up capital contribution in Wuling Industrial. The profit sharing ratio at 31 December 2011 of the Company and Liuzhou Wuling in Wuling Industrial were 50.98% and 49.02%, respectively (2010: 50.98% and 49.02%).

(ii) This represents the effective interest held by the Company. These subsidiaries are held by the Group through Wuling Industrial.

(iii) The subsidiaries are all sino-foreign equity joint ventures.

(iv) The subsidiaries are disposed during the year.

(v) On 11 July 2011, the registered capital of Wuling Industrial was increased to RMB960,000,000 by the creation of additional registered capital of RMB193,000,000.

(vi) None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Sun Shaoli *(Chairman)*
Mr. Lee Shing *(Vice-chairman and Chief Executive Officer)*
Mr. Wei Hongwen
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji

Independent Non-Executive Directors

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

Audit Committee

Mr. Ye Xiang *(Chairman)*
Mr. Yu Xiumin
Mr. Zuo Duofu

Remuneration Committee

Mr. Zuo Duofu *(Chairman)*
Mr. Yu Xiumin
Mr. Ye Xiang

Nomination Committee

Mr. Yu Xiumin *(Chairman)*
Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Sun Shaoli
Mr. Lee Shing

Company Secretary

Mr. Lai Shi Hong Edward

Principal Bankers

Bank of China
Bank of Communications
China Construction Bank
Hang Seng Bank Limited

Auditors

Deloitte Touche Tohmatsu

Solicitor

Sidley Austin

Head Office and Principal Place of Business in Hong Kong

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Stock Exchange of Hong Kong: 305

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