WULING MOTORS HOLDINGS LIMITED
五菱汽車集團控股有限公司

(Incorporated in Bermuda with limited liability)

ENTERING THE ERA OF HIGH PERFORMANCE WITH CLEAN ENERGY

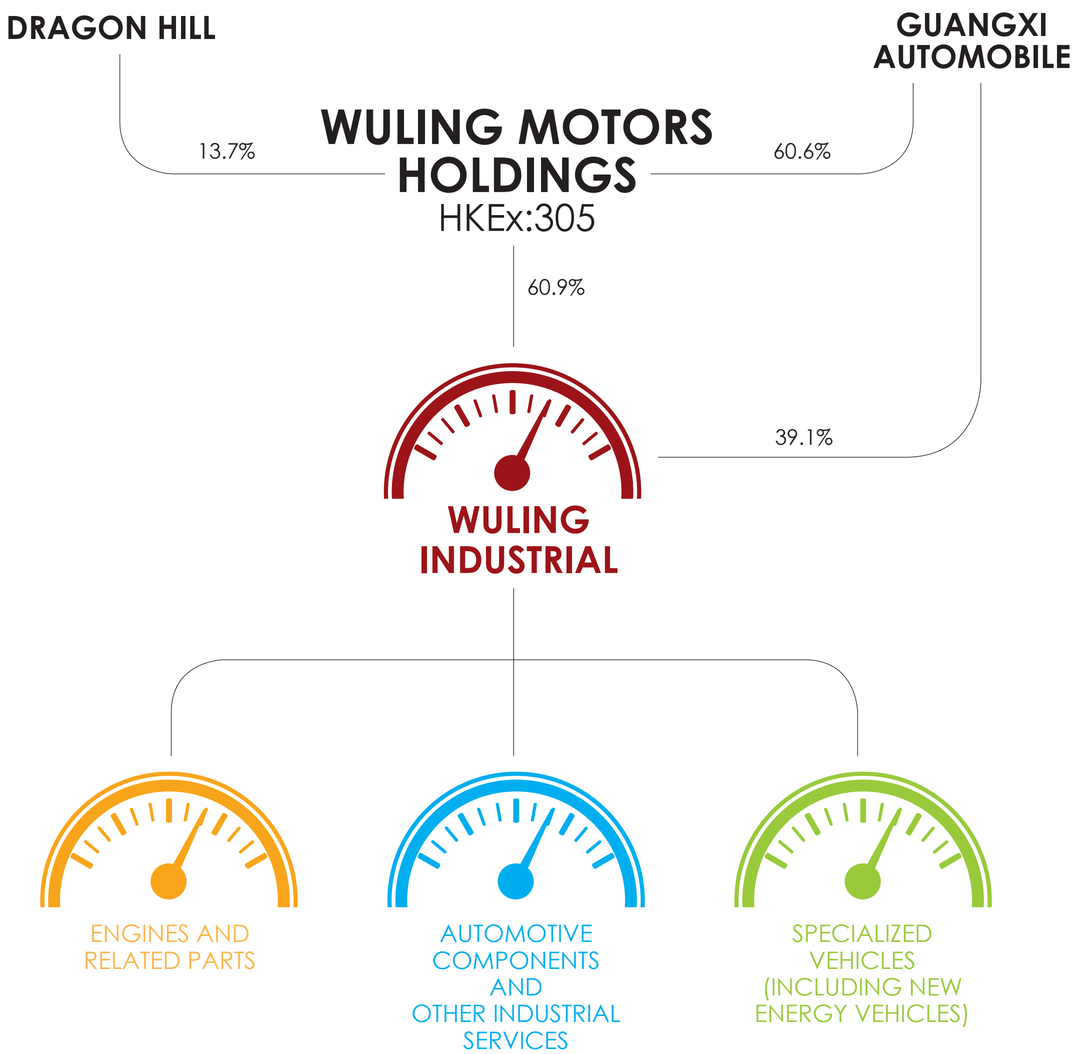
ANNUAL REPORT 2017

HKEx Stock Code : 305

CORPORATE PROFILE

Wuling Motors Holdings Limited ("Wuling Motors Holdings" or the "Company") and its subsidiaries (collectively referred to as the "Wuling Group" or the "Group") are principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles. Our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China and Asia. We supply engines and automotive components to commercial-type mini-vehicles and passenger vehicles. We are also a qualified enterprise for manufacturing electrical mini-truck in China. The Group's main production facilities are located in Liuzhou, Qingdao, Chongqing and Indonesia. Since 2011, we have been ranked as one of the Fortune China 500 Enterprises.

GROUP STRUCTURE



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Mr. Yuan Zhijun
Chairman

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PREFACE

2017 marked our tenth year in the automobile industry. Following our investments into the business of manufacturing and trading of automotive components, engines and specialized vehicles of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), the Group accumulated valuable experiences from both favourable and adverse conditions in the industry. In addition, we completed the strategic deployment of major production facilities in Liuzhou, Qingdao, Chongqing and Indonesia. Furthermore, the Group actively carried out various benchmarking and upgrading programs intended for its core products, and collaborated with its key customer on its business expansion and transformation. Over the last ten years, our revenue has been steadily moving upwards, resulting in a stable improvement in our shareholder returns.

CHAIRMAN'S STATEMENT

In 2017, the automobile industry in China continued benefiting from the steady growth momentum of its domestic economy. Throughout the year, the total automobile sales in China steadily grew by approximately 3% to approximately 28.9 million vehicles. Despite the increasingly fierce competition in the industry, the Group carried out product transformation and upgrades and committed itself to market expansion by firmly adhering to both the operating policies of "Pursuing Growth Amid Stability, Progressing With Determined Goals, Enhancing Quality And Efficiency, Promoting Sustainable Development" and the core work of "Maintaining Growth, Adjusting Structures, Expediting Transformation, Emphasizing Effectiveness". Under this challenging business environment, the Group reported an annual revenue of RMB16,123,895,000, representing a decrease of 3.3% as compared to previous year.

Gross profit for the year under review was RMB1,603,669,000, representing a decrease of 14.7%. Gross margin of the Group declined to 9.9% for the year. Growth of businesses in relation to the passenger vehicles segment of the automotive components and the specialized vehicles helped to maintain a stable business volume of the Group for the year. However, such positive impact was adversely impeded by the increases in the prices of raw material, the operating losses incurred in the newly set-up plant in Indonesia and the drastic reduction in the businesses of the engine and parts division during the year. Besides, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Meanwhile, profitability of the Group's operation was maintained due to the positive factors of the reversal of bad debt provision made in previous years, the one-off compensation income received on relocation and demolition of certain old plants and facilities, and a reduction in the research and development expenses during the year.

Net profit of the Group for the year ended 31 December 2017 which had taken into account of the other gain of RMB46,994,000 from the effect of changes in fair value of the convertible loan notes was RMB281,784,000, representing a slight increase of 0.5% as compared to previous year. Profit attributable to the owners of the Company was RMB173,158,000, representing an increase of approximately 23.3%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred and the effect of changes in fair value from the convertible loan notes during the year for the purpose of computation of the earnings per share on a fully diluted basis, was RMB135,303,000, representing a decrease of approximately 3.7%.

On 23 May 2017, the Company issued a convertible loan notes of a principal amount of HKD400,000,000 to Wuling (Hong Kong) Holdings Limited ("**Wuling HK**"), our controlling shareholder, as approved by the independent shareholders of the Company at a special general meeting held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 fully paid up shares of the Company at an initial conversion price of HKD0.70 per share on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020). Among which, the convertible loan notes of a principal amount of HKD150,000,000 were converted by Wuling HK into a total number of 214,285,714 fully paid up shares of the Company on 29 December 2017. As a result of the conversion, the percentage of shareholding of Wuling HK in the Company was increased from 56.04% to 60.64%.

CHAIRMAN'S STATEMENT

In connection with the issue of these convertible loan notes and as approved by the independent shareholders of the Company at the abovementioned special general meeting, the Company had also completed the first instalment of capital injection into Wuling Industrial, our non–wholly owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. Completion of the capital injection in Wuling Industrial enabled the Company to have a greater equity share of the business operation of Wuling Industrial, our principal operating arm in the automobile industry, whereas, the issue of the convertible loan notes to Wuling HK, as well as the exercise of the relevant conversion rights to increase the controlling interest in the company, demonstrated the long term commitment of the ultimate controlling shareholder, Guangxi Automobile Holdings Limited ("**Guangxi Automobile**"), in the Company.

REVIEW OF MAJOR ACHIEVEMENTS IN 2017

In 2017, the Group's performance was affected by unfavourable factors, including increasing raw material prices and logistics expenses, fierce competition weighing on selling prices of our automotive components in China's automobile industry, and declining sales of our engines due to our key customer's increasing own production of engine products. As a result, the Group's results for 2017 underperformed in certain aspects as compared to previous year. At such very challenging stage, the management of the Group realigned various counter-measures against emerging market changes and risks to ensure the Group will remain in healthy and stable operating conditions to provide a solid foundation for its future growth. The Group continued to forge ahead with the transformation and upgrade of its major business operations to add more values to our products. On the other hand, the Group advanced the development of smart manufacturing to generate new corporate momentum in the new environment. Meanwhile, the Group was actively engaged in collaboration on resource integration with premier enterprises for mutual benefits. By capitalizing on opportunities as initiated by the "Belt and Road", the Group strategically developed a business landscape with "Multiple Growth Drivers". Furthermore, the Group continued its meticulous management to enhance quality and efficiency that facilitate its development, while its capital securitization structure was transformed to provide stable funding resources for the businesses of its entities. As a result, the Group laid a primary cornerstone for its long–term development strategy of "Pursuing Growth Amid Stability, Progressing With Determined Goals". For 2017 under review, the Group's salient development and performance were as follows:

I. Transformation and Upgrade of Principal Business Operations Spearheaded by the Passenger Vehicle Market Segment

1. Market expansion of automotive components through transforming and upgrading and cultivation of the future prospect of engines through innovation and technological development

The Group was actively engaged in the development of passenger vehicle products under innovated technical standards and revamped processing standards, thus shifting the automotive component business from the commercial vehicle market to the passenger vehicle market. As a result, the share of passenger vehicles further grew to more than 70% from 64% in 2016. Meanwhile, the automotive component business vigorously explored the domestic market of passenger vehicles under indigenous mainstream brands. In particular, some of our core products have successfully gained external market access to customers other than our key customer SGWW, including Geely Automobile and BAIC Motor, etc.

During the year under review, the engine business was mainly affected by the intensive efforts of the key customer to promote, sell and install indigenously produced Model 1.5T engines for vehicles. In the absence of sales to other customers, the Group's sales of flagship NP18 engine products declined drastically especially in the second half of 2017. To expand businesses and accommodate market demands, the Group proactively expanded the key engine components in ancillary businesses, including the cylinder blocks and cylinder heads, while allocating resources to expedite the development of Model 2.0T engines to achieve a greater product mix. In response to the national policy of new energy vehicles, the Group strategically devised its business plan by starting a research project on hybrid power/pure electric power of new energy vehicles, with a view to ensure a sustainable and stable development of our engine business.

2. Advancing the development of smart manufacturing for more values added to our products

To satisfy the demands required for continuing custom product upgrades, as well as controlling and enhancing human resources, the Group transformed from traditional manufacturing to smart manufacturing by establishing automated production lines and expediting the application of big data, cloud computing, and Internet of Things. Therefore, the Group's automotive component business approached the medium–end and high–end manufacturing standards. By the end of 2017, the Group had initiated six smart manufacturing projects, including the digitized management of product research and development and the reengineering of the digital system for the Liudong Cockpit Production Line. During the year, 96 automated production lines were created with 763 robots deployed, achieving an automation rate of over 50% at the Liudong Facility. In September 2017, the Group commenced construction of the Liudong Smart Facility for passenger vehicle chassis. Upon completion, the green and unmanned plant will represent a major breakthrough in the localized production of the assembly function of the rear axles/independent suspensions with respect to the key short board equipment in China.

3. Pooling premier resources at home and abroad to achieve mutual benefits between enterprises

The Group actively explored potential collaboration with various manufacturing powerhouses at home and abroad for its automotive component business with a view to improving its manufacturing capacity with advanced technologies imported from the international market.

In July 2017, our subsidiary Wuling Industrial entered into a joint venture agreement with France–based Faurecia, a global 500 enterprise, pursuant to which, Faurecia (Liuzhou) Automotive Seating Co., Ltd was co–founded in September 2017. This collaboration extensively integrated market resources and technical capabilities of both parties to facilitate the transformation and upgrade of the Group's automotive seating products. In November 2017, Wuling Industrial and France–based Faurecia strengthened their collaboration by entering into a joint venture agreement with respect to automotive interior systems, as a result of which, their partnership further expanded to automotive interior products.

CHAIRMAN'S STATEMENT

The Group is convinced that cooperation with leading international enterprises will enable faster improvement in processing techniques of the Group's various components. By virtue of our practical and local experience in operations and product upgrade plans of our existing customers, the Group will achieve complementary results with respect to exploring medium–end and high–end products of new customers. The management anticipates that the above joint venture will, in terms of automotive components, operate as an enterprise with leading technologies and competitive edges in southwestern China.

4. Capitalizing on opportunities as initiated by the "Belt and Road" to strategically develop a business landscape with "Multiple Growth Drivers"

Over years of vigorous efforts to make plans and arrangements, the Group has strategically devised a successful business blueprint where Liuzhou works as the headquarters linking southwards and northwards to Guilin, Qingdao and Chongqing as the production bases. By capitalizing on the strategic opportunities as initiated from the "Belt and Road", the Group successfully completed its first overseas production base in Indonesia in July 2017, which laid a solid foundation for the Group to tap into a broader overseas market. As we believe, our current industrial landscape will enable each subsidiary to be a more efficient actor to utilize market information exchange and resources. Production bases adjacent to major and target customers also strengthened the connection and mutual beneficial relationship between each subsidiary and customers. Cooperation and coordination among members of the Group will achieve such operational objectives that each member can contribute to our overall performance.

II. Simultaneous Launches of Various Models of Vehicles on the Back of National Policies

1. Extensively identifying customers in individual market segment to ensure a stable growth of conventional vehicles

Despite a slow down in the growth of the vehicle market, the Group proactively adjusted its marketing strategy. In light with the actual market demand of each niche product, the Group actively promoted all types of existing and new models through various campaigns, such as North–South linkage tour and the Spring Breeze Action. In particular, the business vehicle and military vehicle segments achieved satisfying results. During the year under review, a total of 190 police patrol vehicles ordered by the Public Security Bureau of Qianxinan Prefecture in Guizhou Province were successfully delivered. The successful delivery of 960 Moutai customized delivery vehicles brought out the legendary story of "Divine Vehicles + Divine Wine". In addition, at the Belt and Road Forum for International Cooperation and during the visit by U.S. President, Mr. Donald Trump to China, Wuling's electric sightseeing vehicle was selected as the reception vehicle to tour around the Forbidden City, greatly enhancing the product recognition and brand image of the Group among customers.

The total sales volume of specialized vehicles in 2017 amounted to 74,600 units, representing a year-on-year increase of 50%, while sales of redecorated vehicles reached 68,400 units, representing a year-on-year increase of 65.1%. In addition, mini-redecorated vehicles accounted for 59% of the market share, continuing to rank 1st in the industry. Sales of non-road vehicles, such as sightseeing vehicles, maintained a steady growth. Despite a decline in sales due to the market recession, mini-passenger buses, including buses and school buses, maintained a stable market share.

2. Proactively exploring business presence and markets for new energy vehicles to provide new impetus to the vehicle market

In line with national policies regarding environmental protection and new energy, new energy vehicles enjoy a good momentum in terms of market acceptance and sales. The Group has been allocating resources in response to national policies on environmental transportation. Over more than a decade of exploration and experience, the Group has attained key technologies in the development of new energy vehicles, including technologies involved in electric motors, vehicle control and vehicle integration, along with a number of patents for new energy vehicles registered in the PRC and the United States. Electric logistics vehicles, electric sightseeing vehicles and electric passenger vehicles developed directly or indirectly by the Group in 2016 and 2017 were successively approved by the government for production and launched into the market.

The Group is actively engaged in the development and sales of new energy vehicles. A total of 75 electric logistics vehicles initially ordered at the end of 2017 were delivered successfully. During the same period, the official operation of M100 shared electric vehicles at Yongzhou Botanical Garden ushered in the era of shared sightseeing vehicles. The Group also completed the modeling design for the indigenously-developed four-wheel low-speed electric vehicles. Meanwhile, the Group initiated various projects for mainstream applications of new energy, including research on L100 electric sightseeing vehicles, smart driving products and the development of EN300P electric logistics vehicles.

In October 2017, Wuling Industrial also entered into a strategic cooperation framework agreement with Qingdao TGOOD Electric Co., Ltd* (青島特鋭德電氣股份有限公司), a leading provider of electric vehicle charging services in the PRC. Pursuant to that agreement, both sides will effectively utilize their competitiveness in the automobile and charging system industries to further promote the strategic cooperation of business opportunities in the sector of new energy vehicles, while formulating the development roadmap and business scope. These measures will lay a solid foundation for developing our future business of new energy vehicles.

III. Improving our System, Deepening our Reform and Promoting a Sound and Rapid Development

1. Continuing our meticulous management to enhance quality and efficiency that facilitate our development

The Group continued its meticulous management by making further efforts in quality enhancement, cost reduction and efficiency enhancement, as well as implementing the work of "Three Containments" at all subsidiaries. The Group also vigorously continued to reduce bad receivables, control procurement costs and improve disposal mechanism for idle fixed assets. With effective capital circulation, the Group increased its capital utilization ratio and brought our rising finance costs under control.

CHAIRMAN'S STATEMENT

2. Enhancing our capital securitization structure to provide stable funding resources for the businesses of our entities

Centering on the theme of the "13th Five-Year Plan" of the Group, the Group intensified its efforts to realign the business structure and carry out technical transformation. Further injection of RMB340,000,000 to Wuling Industrial by issuing HKD400,000,000 three-year convertible loan notes to the controlling shareholder, Wuling HK, has not only further enlarged its shareholder capital, but also increased the Group's equity interest in Wuling Industrial, thus increasing the profit attributable to the Company's owners. As scheduled by Wuling Industrial, the capital injected to Wuling Industrial has been applied to the capacity expansion and construction of the production bases in Indonesia, Liuzhou and Chongqing.

PROSPECTS FOR MAJOR WORK IN 2018

Looking into 2018, the automobile industry will continue to witness a trajectory of slow growth. Due to growing market uncertainties, the Group will continue to maintain the general keynote of "Pursuing Growth Amid Stability" by strengthening the adjustment of our industrial structure, promoting product transformation and upgrades and maintaining meticulous management to precisely identify customers' needs. In addition to expediting technological innovation and building core products, we will seize all market opportunities to boldly explore, optimize and expand development potential for the purposes of the development of all businesses as a whole. The major work and related measures in 2018 are as follows:

I. Intensifying Efforts in Open Cooperation to Promote Mutually Beneficial Cooperation with Advantaged Enterprises

The Group will further carry out the joint venture cooperation with Faurecia and other prominent companies by facilitating the implementation of business targets of the joint venture projects, with a view to materializing the objective that the processing technique for automotive components meets the requirements of medium-end and high-end passenger vehicles. Furthermore, the Group will also seek cooperation with reputed manufacturers of automotive components at home and abroad to expedite our expansion into the industry of medium-end and high–end automotive components for passenger vehicles.

II. Vigorously Promoting Smart Manufacturing and our Business Sustainability

To satisfy the demands required for continuing custom product upgrades, as well as controlling and enhancing human resources, the Group will revamp its existing and new production capacity projects through the implementation of digitized workshops and smart manufacturing factories based on the approved development plan for smart manufacturing. To this end, the Group will focus on promoting digitization research and development and manufacturing, improving the automation and smart application of the Group, and advancing into the field of lightweight reduction, electrification and smart application. By doing so, the Group will enhance its market competitiveness and promote its business sustainability.

III. Riding on The Development Opportunities of New Energy to Foster Strategic Emerging Industries

By keeping up with the pace of restructuring and strategic transformation and riding on the development opportunities of the new energy vehicle industry, the Group will continue deploying and implementing countermeasures in emerging energy-related industries. On the basis of developing the two major technological capabilities of electric motors and vehicle control, the Group will achieve new business transformation and upgrades. Meanwhile, we formulate target-driven marketing strategies to expedite the market-oriented development of pure electric vehicles based on our extensive analysis over the unique features of each market segment and the actual needs of individual customers. In addition, the Group is exploring the creation of smart and connected vehicles and new engines by connecting the business-university-research cooperation model to the cost-effective and high-quality smart manufacturing model. These actions will lay a strong foundation for our strategic development targets in emerging industries next five to ten years.

No pain, no gain. Each journey begins with a single step. Therefore, we shall remain confident and resolved in our quest for transformation, upgrading and innovation. We firmly believe that under the continued support of our major shareholder, Guangxi Automobile, customers and business partners, the Group will maintain a sound development into a brighter future, bringing desirable returns for our shareholders and employees.

YUAN Zhijun
Chairman
29 March 2018

REPORT OF THE CEO

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

RESULTS AND PERFORMANCES

I am pleased to present the audited results of Wuling Motors Holdings Limited for the year ended 31 December 2017.

The year of 2017 continued to be full of challenges and opportunities to the automobile industry in China. With the undergoing structural changes of the market and the implementation of the fundamental supply side reform measures, the automobile industry entered into the stage of development emphasizing an equilibrium of growth and quality. Persistently adhering to our operating policies, Wuling Motors Holdings Limited managed to enhance quality and efficiency, continued to adjust our enterprise structure and promoted business transformation, unremittingly identifying new business goals for strategic development without compromising the long-standing scale of operation and healthy growth. Despite a relatively tough business environment, the Group recorded a total revenue of RMB16,123,895,000 for the year ended 31 December 2017, representing a slight decrease of 3.3% as compared to previous year.

Gross profit for the year under review was RMB1,603,669,000, representing a decrease of 14.7% as compared to previous year. Growth of businesses in relation to the passenger vehicles segment of the automotive components and the specialized vehicles helped to maintain a stable business volume of the Group for the year. However, such positive impact was adversely impeded by the increases in the prices of raw material, the operating losses incurred in the newly set-up plant in Indonesia and the drastic reduction in the businesses of the engine and parts division during the year. Besides, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Net profit of the Group for the year ended 31 December 2017 which had taken into account of the other gain of RMB46,994,000 from the effect of changes in fair value of the convertible loan notes issued by the Company in May 2017, was RMB281,784,000, representing a slight increase of 0.5% as compared to previous year. Profit attributable to the owners of the Company was RMB 173,158,000, representing an increase of approximately 23.3%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred, the related foreign exchange gain and the effect of changes in fair value from the convertible loan notes during the year for the purpose of computation of the earnings per share on a fully diluted basis, was RMB135,303,000, representing a decrease of approximately 3.7% as compared to previous year.

On 23 May 2017, the Company issued a convertible loan notes of a principal amount of HKD400,000,000 to Wuling (Hong Kong) Holdings Limited ("Wuling HK"), our controlling shareholder, as approved by the independent shareholders of the Company at a special general meeting held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 fully paid up shares of the Company (the "Shares") at an initial conversion price of HKD0.70 per share on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020). Among which, the convertible loan notes of a principal amount of HKD150,000,000 were converted by Wuling HK into a total number of 214,285,714 Shares on 29 December 2017.

In connection with the issue of these convertible loan notes and as approved by the independent shareholders of the Company at the abovementioned special general meeting, the Company had also completed the first instalment of capital injection into Wuling Industrial, our non-wholly owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. Completion of the capital injection in Wuling Industrial enabled the Company to have a greater equity share of the business operation of Wuling Industrial, our principal operating arm in the automobile industry, whereas, the issue of the convertible loan notes to Wuling HK, as well as the exercise of the relevant conversion rights to increase the controlling interest in the company, demonstrated the long term commitment of the ultimate controlling shareholder, Guangxi Automobile, in the Company.

OPPORTUNITIES AND CHALLENGES

The economic environment in China continued to undergo certain structural adjustments during the year of 2017. As China's economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. Supported by the continuous growth in the local economy and increasing demands from the consumers, the automobile industry in China maintained its momentum of growth for year of 2017. Total number of motor vehicles sold in China increased moderately by approximately 3% and reached 28.9 million vehicles, in which the pace of growth of the segment of passenger vehicles was slowed down following consecutive years of impressive expansion.

REPORT OF THE CEO

During the year, in co-operation with customers and business partners, new products were continuously developed and launched in response to the dynamic market environment. We confidently expect some of which would become the next growth drivers of revenue of the Group in the years ahead. In addition, enhancement and upgrading projects were also initiated in the established facilities such as the Liuzhou Hexi Industrial Facilities and the Qingdao Facilities and the newly setup facilities such as the Liudong Facilities and the Chongqing Facilities to provide the required fundamental platforms for furthering our business potential and development strategies. Completion of these enhanced facilities empowered by the essential elements of automation and intelligent manufacturing systems would necessarily ensure our competitive strength in the market for future business development and other transformation projects.

Meanwhile, the Group has also been actively implementing the expansion programme of our first overseas production base located in Indonesia to develop our overseas businesses concurrently our key customer, which has commenced operation in the second half of 2017.

In line with the specific business environment and the strategy of our key customer, the Group had undertaken certain strategic changes in our business operations recently. In particular for our engines and parts and automotive components and other industrial services divisions, our business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini-vehicles and the passenger vehicles segments. This strategic change had continued to work as the driving forces of the engines and parts and the automotive components and other industrial services divisions which would be beneficial to the profitability of the Group in future.

While the Group has been actively monitoring the changing business environment when implementing business strategies, we have never underestimated the risks associated with excessive capacities and dynamic market situations. 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. The Group believes this combined strategy is essential for the corporate development of an enterprise in this challenging environment.

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 translate challenges into opportunities, which to a great extent, relies on the determined goals and effective strategies of the enterprises.

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. Re-engineering of our product structure in response to the market needs in quest for continued growth of the automobile manufacturing business by pursuing steady growth in the proportion of sales of automotive parts and components for the passenger vehicles segment under the automotive components and other industrial services division and the launching of new products of our engines and parts and specialized vehicles divisions serving the needs of the market trend;

b. Constructing of a new frame of enterprise structure endowed with "Multiple Growth Drivers With Diverse Profit Streams" through an optimal positioning and scale operation of the production facilities in different geographical locations and in exploring opportunities arisen from abroad for our principal products such as engines and chassis components and the streamlining and restructuring exercises of our ancillary products such as car seat products under our key business segments;

c. Establishing of an intelligent production system to pave the way for the upcoming development of intelligent manufacturing through the adoption of innovative industrialization programmes such as "Internet +" and "Industry 4.0" and the undertaking of the automation exercises for the established facilities and the newly setup facilities;

d. Enhancing of the efficiency and effectiveness in operation and management decision making processes through implementation of the lean management system and the benchmarking exercises with the proven global manufacturing systems of the renowned key customers and business partners; and

e. Building of an effective management team and workforce through active investment in the human resources with the appropriate human resources policies.

OUTLOOK

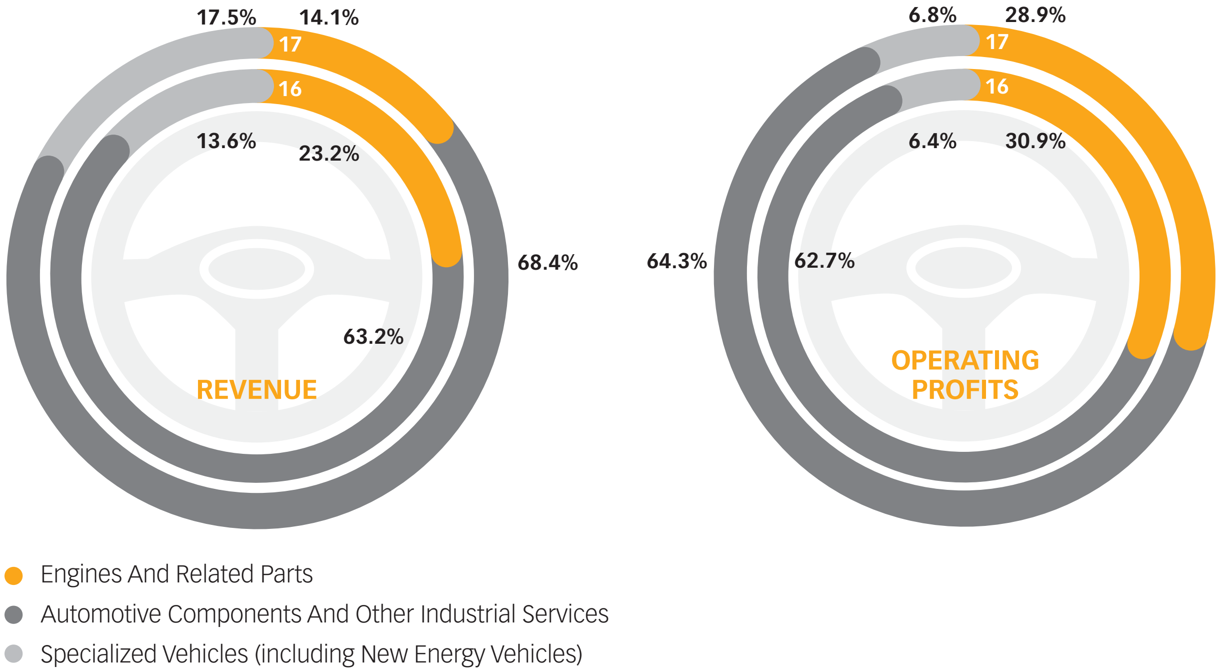
The Group envisages business environment in China to be highly competitive and challenging in this year and the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run. Despite the challenges and difficulties faced under the current market environment, the Group expects the China economy will continue to expand. Rising income of the general public attributable to the sustained economic growth will necessarily encourage demands for motor vehicles and provide promising business opportunities to the Group.

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 Guangxi Automobile, our ultimate 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 & Chief Executive Officer
29 March 2018

OPERATION REVIEW

MAIN BUSINESS SEGMENTS —
ENGINES AND RELATED PARTS



ENGINES AND RELATED PARTS

Total revenue (based on external sales) of the engines and related parts division for the year ended 31 December 2017 was RMB2,268,200,000, representing a decrease of 41.4% as compared to previous year. Operating profit for the year was RMB148,872,000, representing a decrease of 7.5% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("**Wuling Liuji**"), for the year 2017 was approximately 280,000 units, representing a decrease of approximately 32% as compared to previous year.

During the year, sales to SAIC-GM-Wuling Automobile Co., Limited ("**SGMW**"), our core customer, amounted to approximately RMB1,709,455,000 and continued to account for the majority portion of the division's revenue. Sales to SGMW were mainly attributable to the contribution from the NP18 model (Capacity 1.8L), the Group's first self-propriety engine which was launched in 2015 for passenger vehicles and were primarily installed in the high capacity SUVs and MPVs of SGMW. During the year, due to the shift of the marketing focus of SGMW in intensively promoting the vehicle models installed with their in-house produced 1.5T engine (Capacity 1.5L), sale volume of the NP18 model experienced a drastic decrease especially in the second half of 2017.

Meanwhile, as a long standing industry leader in the manufacturing of engines for the commercial mini-vehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Sales, primarily engine sets with capacity range from 1.0L to 1.6L, to other customers amounted to approximately RMB560,000,000 for the year 2017, representing approximately 25% of the total revenue of this division.

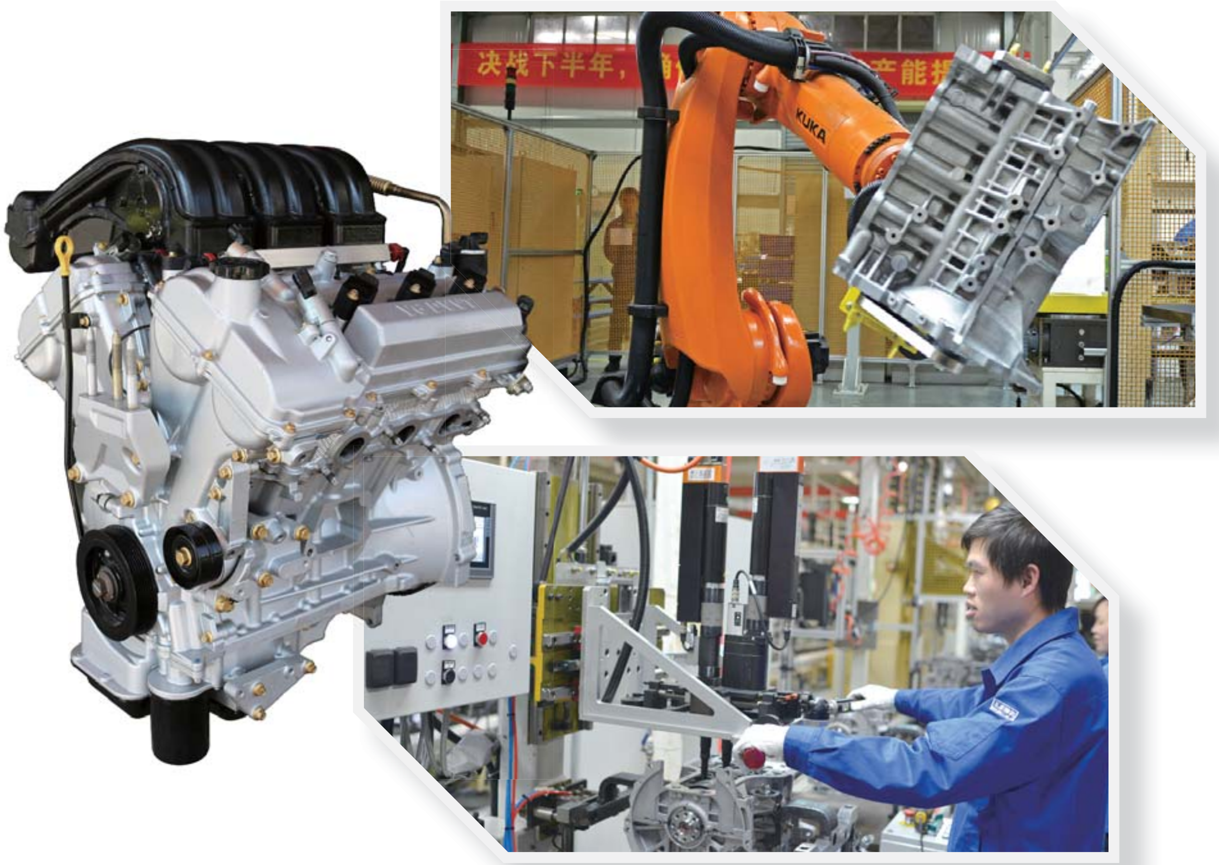
OPERATION REVIEW

Operating margin improved to 6.6% for the year. Reversal of the bad debt provision made in previous years and an improved gross profit margin and a decrease in warranty expenses incurred resulting from the continuous improvement of the operations of the foundry facilities and gradual improvement in the production efficiency of the NP18 model at an optimal scale operation level helped to offset the negative impact from the drastic reduction in sale volume and total revenue of this division.

The production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, in which approximately 280,000 units are for the NP18 model, whereas the foundry facilities of cylinder block and cylinder head are having a 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.

In the past, engines produced by Wuling Liuji were mainly for the commercial mini-vehicles which had been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, Wuling Liuji has actively undertaken development projects for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles segment. Apart from the successfully launched NP18 model as previously mentioned, Wuling Liuji was also undertaking projects in enhancing the NP18 model and in developing new products with greater capacity for extending the range of products in serving the specific needs of the customers of the passenger vehicles segment. In September 2017, Wuling Liuji entered into an equipment purchase agreement at a gross consideration of RMB94,000,000 (inclusive of VAT) in relation to the construction of a production-line designated and installed for the production by Wuling Liuji of a new model of automotive engine, namely the NPT20 (Capacity 2.0L), which had completed the internal technical procedure and was planned to be launched and supplied for passenger vehicles of its customers, including SGMW and other customers commencing from late 2018.

OPERATION REVIEW

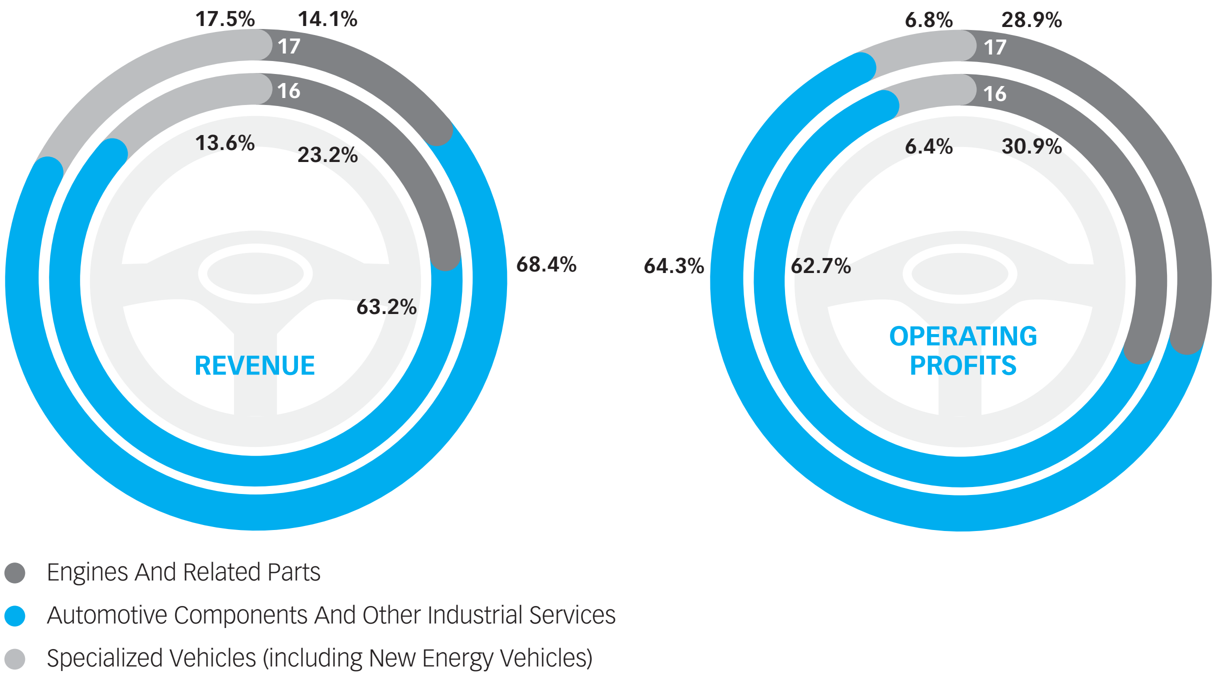


Besides, to ensure adequate supply of foundry components for the existing and the above new model engines and for further upgrading of the quality standard, in November 2017 Wuling Liuji entered into another equipment purchase agreements at a gross consideration of RMB170,000,000 (inclusive of VAT) in relation to the establishment of two production-lines which are designated for the processing production of cylinder blocks and cylinder heads, which are planned to be completed in the second half of 2018. The Group considers that completion of the above two projects and the launch of the NPT20 would further strengthen the market position of Wuling Liuji by having a comprehensive range of products ranging from 1.0L to 2.0L with the essential vertical integration elements, i.e., the in-house manufacturing of the foundry components.

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, including the products applicable for the new energy vehicles, so as to maintain its competitiveness in this market segment. The Group believes the increasing applications of the successfully launched higher end models to the passenger vehicles of SGMW and other new customers and the introduction of other new higher end products will enhance the business potential and the technical capability of Wuling Liuji which will contribute to its profitability in the coming years.

OPERATION REVIEW

MAIN BUSINESS SEGMENTS —
AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES



AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES

Total revenue (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2017 was RMB11,022,262,000, representing an increase of 4.5% as compared to previous year. Operating profits for the year was RMB331,769,000, representing an increase of 1.7% as compared to previous year.

The automotive components and other industrial services division, undertaken by Liuzhou Wuling Motors Industrial Company Limited ("**Wuling Industrial**"), continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the year, total 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 increase. Strong demands for and the impressive market share achieved by the key products of SGMW benefited the business performance of this division during this year. The satisfactory market performance of the passenger vehicles model such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) of SGMW essentially contributed to the business performance and provide promising business potential to this division.

Operating margin maintained at 3.0% as compared to previous year. The positive effects from the launches of new models continued to promote business growth of this division. This positive impact was however adversely impeded by the increases in the prices of raw material and the operating losses incurred in the newly set-up plant in Indonesia during the year. Meanwhile, moderate increases in the staff cost in response to the keen competition in the human resources market and the recruitment of the management and administrative workforce for the newly established plants and facilities and other ongoing projects undertaken by Wuling Industrial had also cancelled out the positive impact from a reduction in the research and development expenses of this division.

OPERATION REVIEW

With its long and established industry experiences, the automotive components and other industrial services 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 traditional well and established commercial mini-vehicles production capability, strategically, the automotive components and other industrial services division has progressed gradually to other higher value added passenger vehicles, such as the sedan, MPV and SUV segments to further the profitability performance for the Group. In term of revenue contribution, the division had since successfully achieved a higher revenue share from the passenger vehicles segment as compared to the commercial mini-vehicles segment.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group had actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, the production facility located in Hexi Industrial Park, Liuzhou which was completed in 2014, primarily for the mini-vehicles' components businesses, had been subject to various upgrading and revamping exercises, which involved the installation of industrial robotic workstations and other automatic machinery, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the SUVs and MPVs. In addition, part of the facilities was planned to be leased to the newly formed joint ventures as mentioned below.

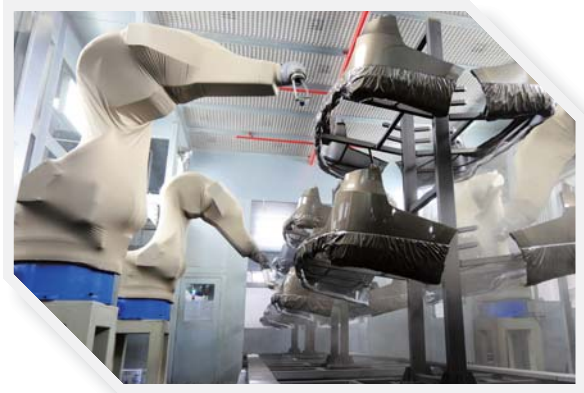
The Group operated another production facility in the eastern district of Liuzhou ("**Liudong Facilities**"), which was mainly targeted at the passenger vehicles' components businesses and were strategically located in adjacent to the passenger vehicles production base of SGMW, in which the first and second phase had become fully operational since the second half of 2016. Foreseeing a significant growth of passenger vehicles' components businesses and considering that the Liudong Facilities would gradually be fully utilized, Wuling Industrial had decided to expand its Liudong Facilities by undertaking the third phase development through the acquisition of a new industrial site with a site area of approximately 140,500 sqm located adjacent to the Liudong Facilities in 2016, whereas construction work of foundation and infrastructure had been completed during the year to ensure adequate production capacity could be available to serve the increasing needs from customers on a timely basis. This development site had already been designated for the construction of the first "Smart Factory" of the Group targeting for the production of the chassis components of the higher-end passenger vehicles and the related construction contract had been entered into by Wuling Industrial in September 2017, of which construction of the factory premises are expected to be completed by mid-2018.

Apart from the production facilities in the Liuzhou region, Wuling Industrial had also recently formulated development plans for the other two main production facilities in China, i.e. the production facilities located in Qingdao and Chongqing. As for the production facilities in Qingdao, due to the launches of the new passenger vehicles by SGMW manufactured in their production

base in Shandong, the production facilities located in Qingdao would be required to undertake certain technology advance and capacity expansion projects. Such projects, which would involve the construction of a new factory premises, the establishment of several large scale plastic injection production lines, as well as other automatic welding and assembly lines and the installation of industrial robots, were progressing satisfactorily, in which part of the facilities had gradually started operational from the second half of 2017. In connection with these technology advance and capacity expansion projects, during the year, Wuling Industrial entered into agreement to acquire the land and the buildings which were leased from Guangxi Automobile for current operation to facilitate a more effective investment planning for the Group in Qingdao, completion of which was taken place subsequent to the year end. With respect to the production facilities in Chongqing which had commenced operation for over a year in supplying automotive components to SGMW, Wuling Industrial is currently reviewing the second phase development in line with the expansion plan of SGMW and would initiate appropriate plans for further expansion of this production facility in due course.

Over the past few years, the Group has taken strategic steps in China to transform from a single production point operation in Liuzhou into an inter-provincial production group with facilities in Guangxi, Shandong and Chongqing, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future. These strategic steps, accompanied with the satisfactory growth in the business volume of the SGMW and other customers over the past few years, have benefited the business performance of the Group. Apart from the improvement in business performance, these strategic steps over the past few years have also strengthened the commercial collaboration between the Group and SGMW in pursuing current businesses as well as other future business opportunities. As SGMW has been actively promoting its overseas business activities by establishing its production plant in Indonesia, the Group has kept pace with such development of SGMW and decided to develop its overseas businesses concurrently by establishing our first overseas production base located in Indonesia, which was progressing satisfactorily and had commenced operation in the second half of 2017.

OPERATION REVIEW



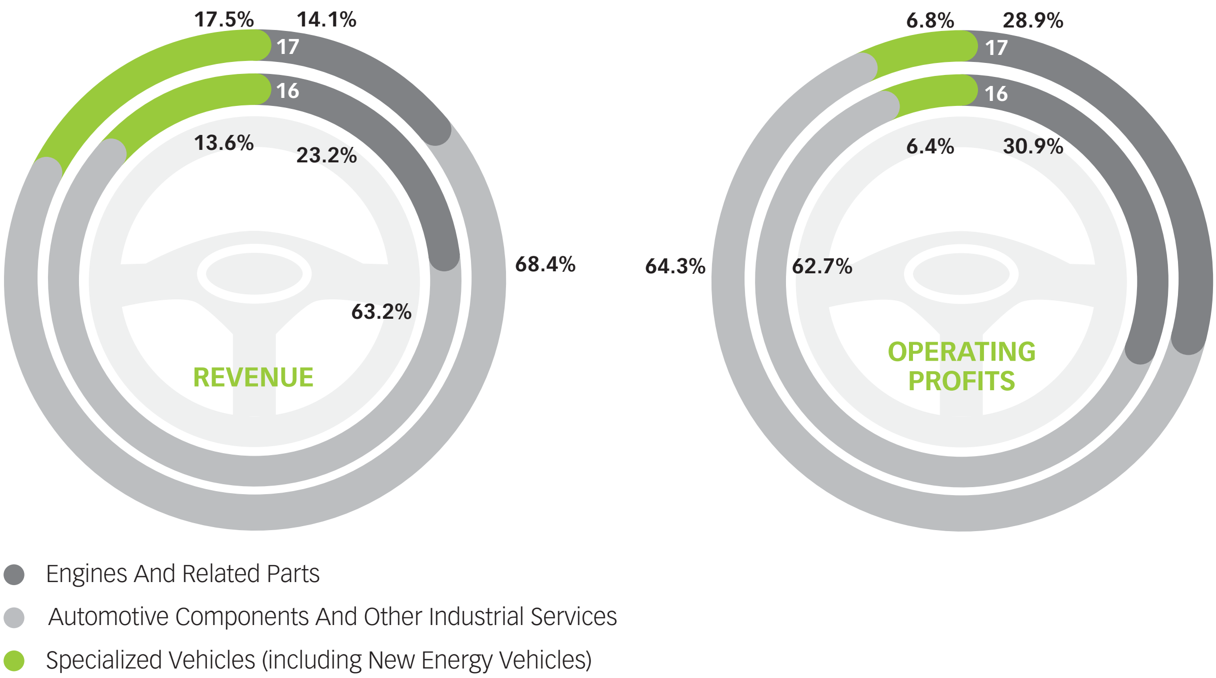
The production plant in Indonesia comprised a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles, with an initial planned production volume of 100,000 sets/units per annum. Being the fourth largest population country in the world and in consideration of its recent economic development, the Group is of the view that there is great business potential for the automobile industry in Indonesia and consider that the geographical expansion of the Group's automotive components businesses in Indonesia is an appropriate expansion strategy for the Group.

In constructing a new frame of enterprise structure endowed with "Multiple Growth Drivers With Diverse Profit Streams", Wuling Industrial had been actively reviewing the product mix within the automotive components and other industrial services division in formulating suitable operating and development strategies for individual product and business components in this division. As for the car seat products, which scale of operation was relatively small and the products are primarily focused on the commercial mini-vehicles market with insignificant contribution to the Group's revenue and profitability, Wuling Industrial had in July 2017 entered into agreement with the renowned Faurecia Group for the establishment of a joint venture enterprise for pursuing the business of car seat products in China. In November 2017, the same joint venture parties further entered into another joint venture agreement for pursuing the businesses in relation to the automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim. Wuling Industrial considers the recent development of SGMW in expanding the production of passenger vehicles would provide business opportunities in the car seat and the interior system products and therefore looked for suitable business partner for enhancing and upgrading its production knowhow in these areas. The cooperation with Faurecia Group, being a global leading manufacturer in the business of automotive parts and components would provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat and the interior system businesses for the existing customers as well as other new customers.

Notwithstanding the highly competitive market condition, the Group considers the competitive strength of its key customer, SGMW, in the market on the back of its successful models and the launch of new models, and the implementation of the appropriate strategic programmes, will continue to provide strong supports to the operation of the automotive components and other industrial services division in the years onwards.

MAIN BUSINESS SEGMENTS —

SPECIALIZED VEHICLES (INCLUDING NEW ENERGY VEHICLES)



OPERATION REVIEW

SPECIALIZED VEHICLES (INCLUDING NEW ENERGY VEHICLES)

Total revenue (based on external sales) of the specialized vehicles division undertaken by Wuling Industrial for the year ended 31 December 2017 was RMB2,833,277,000, representing an increase of 25.1% as compared to previous year. Operating profit for the year was RMB35,216,000, representing an increase of 5.8%.

During this year, Wuling Industrial sold approximately 74,600 specialized vehicles, representing an increase of 50% as compared to previous year, in which the sale volume of redecorated vans, non-road vehicles, mini-buses (including school buses) were 68,400, 3,100 and 3,100 respectively, amongst which 830 vehicles were new energy vehicles (primarily electric vehicles). Despite the highly competitive business environment, proactive marketing strategies and continuous launches of new models benefited the business performance of the division from which the sale volume of redecorated vans increased impressively and continued to rank as the leading supplier in this market segment. Meanwhile, the Group achieved remarkable breakthroughs in the sale of the military vehicle and the electric vehicles in successfully obtaining sizable orders in this segment. Wuling's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and provided positive feedback from the market.

Operating margin maintained at 1.2% for the year. High portion of low margin products, in particular the redecorated logistic vehicles, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of transportation and warranty expenses also limited the profitability performance of this division. To enhance the profitability of this division, strategically, Wuling Industrial has continued to work towards the direction of reducing the production of those lower margin redecorated logistic vehicles so as to reserve more capacity to other more profitable models, such as mini-school buses, sight-seeing cars and electrical vehicles.

OPERATION REVIEW

The specialized vehicles division operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. The division has capability to produce 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 sizes of operation to private individuals. Products are mainly sold in the domestic market covering the major provinces and cities across the country and the overseas markets.

The capability of the specialized vehicles division in the car assembly industry is originated from the long standing industry experiences of Wuling. In fact, the models designed and developed by the Group are mainly branded as "Wuling", which is itself a benchmark of quality products and services in the market. Wuling Industrial is also a qualified enterprise which possesses the capability for manufacturing new energy electric logistic vehicles in China. In line with the national policies relating to environment protection and the promotion of clean energy, 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. Being the primary focus of development of the division, electrical vehicle product has recently reached a stage of breakthrough. Certain products, including an electric logistic vehicle, electric sight-seeing buses and other electric vehicles have obtained notifications of government approval in 2016 and 2017. Wuling Industrial planned to adopt the technical knowhow as developed from these electric vehicles products as the platform to explore and develop a series of electric specialized vehicles suitable for particular business segments.

Meanwhile, the Group had also unremittingly developed new models of passenger mini-buses with improved quality and added features in response to market demands and enhanced regulatory standards. The Group expects the business development of these new models will benefit the profitability performance of the division. Currently, production facilities of the specialized vehicles division of the Group are situated in Liuzhou and Qingdao with respective annual capacities of approximately 60,000 vehicles and 30,000 vehicles. Taking the advantages of having an existing operation in Chongqing, the Group has recently decided to establish a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 15,000 vehicles, which will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness.

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment.

OPERATION REVIEW

PERFORMANCE OF JOINT VENTURES AND ASSOCIATES

Liuzhou Lingte Motor Technology Company Limited ("**Liuzhou Lingte**"), which was owned as to 51% by Wuling Liuji and formed with IAT Automobile Technology Co., Ltd., in November 2013 for purpose of developing the businesses of our owned proprietary V6 cylinder engine products, continued to making progress as planned during the year. Following the successful completion of the research and development of the 3.0L Advanced Model, Liuzhou Lingte had commenced the construction of the infrastructure and the main assembly line for initial production purpose in last year. During the year, small volume orders had been undertaken for trial run purpose. Upon satisfactory results from the trial run orders, Wuling Liuji and Liuzhou Lingte would work together to formulate appropriate marketing plan for launching the product to targeted customers. The successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry. Due to its initial operation, Liuzhou Lingte operated at a net loss for the year ended 31 December 2017, in which RMB6,802,000 was attributable to the Group. As at 31 December 2017, the carrying value of the Group's interests in Liuzhou Lingte amounted to RMB80,953,000.

Guangxi Weixiang Machinery Company Limited ("**Guangxi Weixiang**"), which was owned as to 50% by Wuling Industrial and formed with Guangxi Liugong Machinery Company Limited in August 2013 for developing the businesses of engineering machinery and other industrial vehicles products, had been facing tough business environment since its establishment and continued to register losses for the past few years. The business environment was hence improved in the second half of 2017 in which the net operating losses attributable to the Group had been remarkably reduced to RMB688,000 for the year ended 31 December 2017. After a series of impairment in prior years due to the continuous loss making situation, as at 31 December 2017, the carrying value of the Group's interests in Guangxi Weixiang amounted to RMB5,190,000.

With respect to other interests in joint ventures held by the Group, which were engaged in the automotive components businesses, a small aggregate net profits were attributable to the Group for the year ended 31 December 2017 were RMB154,000, whereas, the aggregate carrying value of the Group's interests amounted to RMB14,517,000 as at 31 December 2017.

On 3 July 2017, Wuling Industrial entered into agreement with the renowned Faurecia Group for the establishment of a joint venture company for pursuing the business of car seat products in China which will be owned as to 50% each by Wuling Industrial and Faurecia Group ("**Faurecia Car Seat JV**"). As mentioned above, Wuling Industrial considers the recent development of SGMW in expanding the production of passenger vehicles would provide business opportunities in the car seat products, and therefore looks for suitable business partner for enhancing and upgrading its production knowhow in this area. The co-operation with Faurecia Group, being a global leading manufacturer in the business of automotive parts and components will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat businesses for the existing customers as well as other new customers.

In accordance with the joint venture agreement, Wuling Industrial and Faurecia Group will each contribute cash in the amount of RMB75 million to the newly formed Faurecia Car Seat JV. Meanwhile, pursuant to the joint venture agreement, after the establishment of Faurecia Car Seat JV, Wuling Industrial and Faurecia Car Seat JV shall enter into ancillary agreements in relation to, among other things, the acquisition of the machinery and equipment of Wuling Industrial which are currently used for the production of car seat products located in Liuzhou and Qingdao, the PRC for the purpose of facilitating the business and operation of Faurecia Car Seat JV. Faurecia Car Seat JV was formally established 26 September 2017 and Wuling Industrial and Faurecia Group are now proceeding the necessary procedures in initiating the business operation of Faurecia Car Seat JV.

On 29 November 2017, Wuling Industrial entered into another agreement with the Faurecia Group for the establishment of another joint venture company for pursuing the business of automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim in China which will be owned as to 50% each by Wuling Industrial and Faurecia Group ("**Faurecia Interior Parts JV**"). Same as above, Wuling Industrial considers the co-operation with Faurecia Group will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in these types of products from SGMW as well as other new customers.

In accordance with the joint venture agreement, Wuling Industrial and Faurecia Group will each contribute cash in the amount of RMB150 million to the newly formed Faurecia Interior Parts JV. Meanwhile, pursuant to the joint venture agreement, after the establishment of Faurecia Interior Parts JV, Wuling Industrial and Faurecia Interior Parts JV shall enter into ancillary agreements in relation to, among other things, the acquisition of the machinery and equipment of Wuling Industrial which are currently used for the production of automotive interior parts products located in Liuzhou and Qingdao, the PRC for the purpose of facilitating the business and operation of Faurecia Interior Parts JV. Wuling Industrial and Faurecia Group are now proceeding the necessary procedures for the establishment of Faurecia Interior Parts JV.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

At the Wuling Group, corporate social responsibility is an integral part of our business. Our core principle is 'Safety Comes First', which implies that safety comes before profit. We have adhered to this principle by instilling high standards of safety into our everyday business.

Being a responsible, caring corporate citizen is at the heart of our corporate philosophy. To us, this means protecting and lessening our impact on the environment, giving back to society in meaningful ways, taking good care of our employees, and doing what's right for our stakeholders.

Our innovations in emissions-free electric vehicles are a key example of how we are building cleaner products to bring to customers. In supporting our communities, our efforts are primarily focused on helping those who are less fortunate in the communities where we operate. As for our employees, our greatest asset and our engine for growth, we have put in place employee programs for development and training, healthy living, work safety and well-being.

We have championed a variety of ESG initiatives as an essential part of our corporate goals and strategies. Going forward, we aim to create value for society, the environment, our employees, shareholders and other stakeholders through our ESG efforts.

For further information in relation to the ESG performance of the Group during the year ended 31 December 2017, please refer to the upcoming independent ESG report, which will be released in due course and posted on the website of the Stock Exchange and the Company for inspection and download.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group's turnover for the year ended 31 December 2017 was RMB16,123,895,000, representing a decrease of 3.3% as compared to previous year. Growth of businesses in the passenger vehicles segment from the new products of the automotive components and other industrial services division and the impressive growth in the business volume in the specialized vehicles division helped to maintain a stable business volume of the Group for the year, despite a drastic slowdown of the businesses in the engines and parts division. Overall, strong market presence and increasing demands to our products of our key customer's products ensured a relatively stable performance of the Group in the automobile industry in China.

Gross profit for the year under review was RMB1,603,669,000, representing a decrease of 14.7%. Gross margin of the Group declined to 9.9% for the year. As mentioned above, growth of businesses in relation to the passenger vehicles segment of the automotive components and the specialized vehicles helped to maintain a stable business volume of the Group for the year. However, such positive impact was adversely impeded by the increases in the prices of raw material, the operating losses incurred in the newly set-up plant in Indonesia and the drastic reduction in the businesses of the engine and parts division during the year. Besides, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Meanwhile, profitability of the Group's operation was maintained due to the positive factors of the reversal of bad debt provision made in previous years, the one-off compensation income received on relocation and demolition of certain old plants and facilities, and a reduction in the research and development expenses during the year.

Net profit of the Group for the year ended 31 December 2017 which had taken into account of the other gain of RMB46,994,000 from the effect of changes in fair value of the convertible loan notes was RMB281,784,000, representing a slight increase of 0.5% as compared to previous year. Profit attributable to the owners of the Company was RMB173,158,000, representing an increase of approximately 23.3%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred, the related foreign exchange gain and the effect of changes in fair value from the convertible loan notes during the year for the purpose of computation of the earnings per share on a fully diluted basis, was RMB135,303,000, representing a decrease of approximately 3.7%.

On 23 May 2017, the Company issued a convertible loan notes of a principal amount of HKD400,000,000 to Wuling (Hong Kong) Holdings Limited ("**Wuling HK**"), our controlling shareholder, as approved by the independent shareholders of the Company at a special general meeting held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 fully paid up shares of the Company (the "**Shares**") at an initial conversion price of HKD0.70 per share on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020). Among which, the convertible loan notes of a principal amount of HKD150,000,000 were converted by Wuling HK into a total number of 214,285,714 Shares on 29 December 2017.

In connection with the issue of these convertible loan notes and as approved by the independent shareholders of the Company at the abovementioned special general meeting, the Company had also completed the first instalment of capital injection into Wuling Industrial, our non-wholly owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. Completion of the capital injection in Wuling Industrial enabled the Company to have a greater equity share of the business

FINANCIAL REVIEW

operation of Wuling Industrial, our principal operating arm in the automobile industry, whereas, the issue of the convertible loan notes to Wuling HK, as well as the exercise of the relevant conversion rights to increase the controlling interest in the company, demonstrated the long term commitment of the ultimate controlling shareholder, Guangxi Automobile, in the Company.

Other income comprised primarily bank interest income, sales of scrap materials and parts, compensation income from relocation of factory premises, government subsidies and other services income was in aggregate RMB141,309,000 for the year ended 31 December 2017, representing an increase of 37.9% as compared to previous year due to an increase of interest income and the one-off compensation income received, which amounted to RMB48,835,000 during the year.

Other gains and losses amounted to a net gain of RMB88,332,000 for the year ended 31 December 2017, which comprised primarily loss on disposals of certain property, plant and machinery, exchange gain and effect of changes in fair value on the convertible loan notes and the impairment loss reversed in respect of trade receivables during the year.

Share of results of joint ventures registered a total losses of RMB7,336,000 for the year ended 31 December 2017 primarily attributable to the net operating losses of Liuzhou Lingte incurred for the year, whereas, the operation of Guangxi Weixiang had been gradually improved in the second half of 2017.

Share of result of an associate represented the pre-operating losses of Faurecia Car Seat JV incurred for the year.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB274,075,000 for the year ended 31 December 2017, representing a decrease of 13.7% as compared to previous year due to the gradual decrease in warranty expenses as benefited from an improvement in production efficiency of the engines and parts division during the year.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB855,768,000 for the year ended 31 December 2017, representing an increase of 6.7% as compared to previous year. Moderate increases in the staff cost in response to the keen competition in the human resources market and the recruitment of the management and administrative workforce for the newly established plants and facilities and other ongoing projects undertaken by the Group together with the increases in the related project expenses resulted in an increase in the administrative expenses during the year despite the positive impact from a reduction in the research and development expenses.

Research and development expenses for the year ended 31 December 2017 amounted to RMB162,230,000, representing a decrease of 50.8% as compared to previous year. The Group will continue to prudently carry out research and development projects in accordance with the strategic plan in furthering its future business opportunities.

Finance costs for the year ended 31 December 2017 amounted to RMB145,090,000, representing an increase of 62.0% as compared to previous year due to an increase in the interest rates during the year and the finance cost of RMB28,433,000 incurred for the abovementioned convertible loan notes issued by the Company, calculated on the effective interest rates method. Besides, the balances had also included the finance costs of RMB47,407,000 which were the interest expenses payable to Guangxi Automobile. To contain finance costs of the Group, Guangxi Automobile provided various sources of finance to the Group through borrowings and/or bills discounting activities at the most favourable terms offered in the market.

Basic earnings per share for the year ended 31 December 2017 was RMB9.42 cents, representing an increase of approximately 22.8% as compared to previous year. Earnings per share on fully diluted basis, in which the adjustments in relation to the convertible loan notes issued by the Company had been accounted for, was RMB6.19 cents, representing a decrease of approximately 18.9%.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017, total assets and total liabilities of the Group stood at RMB11,707,640,000 and RMB9,219,780,000 respectively.

Non-current assets amounted to RMB4,008,648,000 comprised mainly property, plant and equipment, prepaid lease payments, deposits paid for acquisition of property, plant and equipment, interest in an associate, interests in joint ventures, etc., which were increased as compared to previous year due to the capital expenditures of approximately RMB1.1 billion incurred in this year in relation to the acquisition cost of plant and machinery, construction in progress, prepaid lease payments, RMB75 million of the cost of investment in an associate and approximately RMB4 million of the cost of investment in joint ventures.

Current assets amounted to RMB7,698,992,000 comprised mainly inventories of RMB1,222,876,000, trade and other receivables and bill receivables of RMB4,196,160,000 (inclusive of bills receivables discounted with recourse but not yet matured amounting to RMB280,900,000), pledged bank deposits of RMB565,840,000 and bank balances and cash of RMB1,706,780,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB1,710,905,000 was recorded as trade and other receivables in the consolidated statement of financial position. These receivables balances were subject to normal commercial settlement terms.

Current liabilities amounted to RMB9,055,526,000, comprised mainly trade and other payables of RMB7,955,730,000, provision for warranty of RMB142,704,000, tax payable of RMB108,318,000, derivative financial instrument in relation to the outstanding convertible loan notes issued by the Company of RMB50,560,000, current portion of the convertible loan notes of RMB23,820,000, bank and other borrowings — due within one year of RMB491,576,000 and advances drawn on bills receivables discounted with recourse of RMB277,515,000. The corresponding bills receivables discounted with recourse to these advances amounting to RMB280,900,000 were recorded as trade and other receivables which would be offset against upon maturity.

The Group recorded net current liabilities of RMB1,356,534,000 as at 31 December 2017, which had been increased as compared to the net current liabilities of RMB972,575,000 as at 31 December 2016 as a result of the substantial capital expenditure incurred during the year.

Non-current liabilities amounted to RMB164,254,000 comprised mainly convertible loan notes of RMB122,857,000, deferred income of RMB15,339,000 and deferred tax liability of RMB26,058,000.

LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 December 2017, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the drawdown of bank borrowings, the bill receivables discounted and the funds raised from the issue of the convertible loan notes as detailed below.

The Group considers the application of alternative means of financing, i.e. bank borrowings and bill discounting activities in terms of the respective finance cost consideration. Besides, to contain finance costs of the Group, Guangxi Automobile provided sources of finance to the Group through bill discounting activities at the most favourable terms offered in the market.

As at 31 December 2017, total bank balances and cash maintained by the Group amounted to RMB1,706,780,000. Besides, pledged bank deposits amounting to RMB565,840,000 were also maintained to secure the banking facilities offered to the Group.

The Group's bank borrowings (other than advances drawn on bill receivables discounted with recourse) amounted to RMB491,576,000 as at 31 December 2017, which were increased substantially since last year to serve as an alternative source of finance due to an increase in the interest rates charged on the bill receivables discount activities during the years, which included a lower interest rate foreign currency one year term loan amounting to US$55,000,000. The Group had entered into appropriate forward contract to hedge against the currency risk of this foreign currency bank loan. Meanwhile the outstanding advances drawn on bill receivables discounted with resource as at 31 December 2017 were RMB277,515,000 which were decreased during the year. The corresponding bill receivables discounted with recourse to these advances amounting to RMB280,900,000 were recorded as trade and other receivables which would be off set against upon maturity. 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 at an appropriate financing strategy for the Group.

Apart from the bank borrowings and the advances drawn on bill receivables discounted with recourse on 23 May 2017, the Company raised certain longer term financing through the issue convertible loan notes of a principal amount of HKD400,000,000 to Wuling HK, our controlling shareholder, as approved by the independent shareholders of the Company at a special general meeting held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 Shares at an initial conversion price of HKD0.70 per share on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020). Among which, the convertible loan notes of a principal amount of HKD150,000,000 were converted by Wuling HK into a total number of 214,285,714 Shares on 29 December 2017. As a result of the conversion, the percentage of shareholding of Wuling HK in the Company was increased from 56.04% to 60.64%.

Subsequent to the above conversion, the aggregate principal amount of convertible loan notes remained outstanding was HKD250,000,000, which would be eligible to be converted into a total number of 357,142,857 Shares according to the abovementioned terms and conditions.

In view of the current financial and liquidity position of the Group as at 31 December 2017, the Board considers the Group has adequate financial resources in meeting the redemption obligations of the outstanding convertible loan notes which have an expiry date on 23 May 2020.

Assuming full conversion of the outstanding convertible loan notes which are currently held by Wuling HK, the controlling shareholder of the Company, the number of issued shares of the Company would be increased by approximately 17.42% from 2,050,107,555 Shares to 2,407,250,412 Shares, from which the percentage shareholding of the controlling shareholder, Wuling HK, would be increased from 60.64% to 66.48%, whereas, the percentage of shareholding of the second largest shareholder of the Company, Dragon Hill Development Limited would be decreased from 13.74% to 11.70%. However, there are restrictions on the convertible loan notes such that no conversion would be made if it will cause the Company to be in breach of the public float requirement under the Listing Rules.

In addition, having considered the closing market price of the Share as at 31 December 2017 which was traded below the conversion price of the convertible loan notes and the abovementioned restriction such that no material conversion could be made as at 31 December 2017, the Board considers there would not be any significant impact on the market price of the Shares upon the entire and/or partial conversion of the outstanding convertible loan notes of the Company.

In connection with the issue of the abovementioned convertible loan notes and as approved by the independent shareholders of the Company at the abovementioned special general meeting, the Company had also completed the first instalment of capital injection into Wuling Industrial, our non-wholly owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. Completion of the capital injection in Wuling Industrial strengthened the capital base of Wuling Industrial, our principal operating arm in the automobile industry, and at the same time, enabled the Company to have a greater equity share of the business operation of Wuling Industrial. Meanwhile, the issue of the convertible loan notes to Wuling HK, as well as the exercise of the relevant conversion rights to increase the controlling interest in the company, also demonstrated the long term commitment of the ultimate controlling shareholder Guangxi Automobile in the Company.

FINANCIAL REVIEW

Total equity attributable to the shareholders of the Company, comprised primarily the share premium, PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB1,442,682,000 as at 31 December 2017, which had taken into account of the above conversion of the convertible loan notes of a principal amount of HKD150,000,000 on 29 December 2017. Net asset value per share was approximately RMB70.4 cents as at 31 December 2017.

DIVIDEND

The Directors recommended the payment of a final dividend of HKD1.25 cents per ordinary share of the Company (the "**Share(s)**") for the year ended 31 December 2017 (the "**Final Dividend**") (2016: HKD1.25 cents) to the shareholders of the Company (the "**Shareholder(s)**"), whose names shall be on the register of members of the Company on 21 June 2018, amounting to approximately HKD25,626,000 (equivalent to approximately RMB21,342,000), subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Friday, 8 June 2018 (the "**2018 AGM**"), dividend warrants of the Final Dividend will be dispatched to shareholders of the Company on 29 June 2018.

PLEDGE OF ASSETS

At 31 December 2017, an investment property held by the Group in Hong Kong with an aggregate value of RMB4,988,000 was pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB565,840,000 and bills receivables discounted with recourse amounting to RMB280,900,000 were pledged to the banks mainly to secure certain banking facilities offered to the Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

At 31 December 2017, the Group maintained Hong Kong dollar convertible loan notes, Hong Kong dollar and United States dollar bank loans and trade and other payables equivalent to an aggregate amount of RMB542,767,000 and Hong Kong dollar and United States dollar bank deposits and trade and other receivables equivalent to an aggregate amount of RMB3,168,000 in which appropriate forward contract had been entered into by the Group to hedge against the currency risk of the United States dollar bank loan amounting to US$55,000,000 (equivalent to RMB365,173,000). 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 reasonable and would monitor the foreign exchange exposures of the Group as well as the prevailing market condition in arriving at appropriate strategy.

COMMITMENTS

At 31 December 2017, the Group has outstanding commitments, contracted but not provided for in the financial statement, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB943,459,000.

CONTINGENT LIABILITIES

At 31 December 2017, the Group did not have any contingent liabilities.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

1 Mr. MI Jianguo
2 Mr. WANG Yuben
3 Mr. YANG Jianyong
4 Mr. ZHONG Xianhua
5 Mr. YUAN Zhijun
6 Mr. LEE Shing
7 Ms. LIU Yaling
8 Mr. YE Xiang
9 Mr. ZUO Duofu

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTOR

Mr. YUAN Zhijun
Chairman

Mr. Yuan, aged 51, Chairman of the Board and the Nomination Committee, was appointed as Executive Director on 4 November 2016. Mr. Yuan graduated from the Huazhong University of Science and Technology in China with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan holds directorships of a number of subsidiaries and member companies of the Group. He is currently a director and the chief executive of our principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited* (柳州五菱汽車工業有限公司) ("**Wuling Industrial**"), a joint-venture enterprise owned by the Company and Guangxi Automobile Holdings Limited* (廣西汽車集團有限公司) ("**Guangxi Automobile**") — the ultimate holding company of the Company. Mr. Yuan is also currently the vice chairman of the board of directors and chief executive of Guangxi Automobile and the chairman of the board of directors of Guangxi Yuan Heng Investment Co. Limited* (廣西元恒投資有限公司) ("**Guangxi YH Investment**"), a subsidiary of Guangxi Automobile. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively the immediate holding company and the intermediate holding company of the Company, including Guangxi Automobile, all of them being controlling shareholders of the Company, which are beneficially interested in approximately 60.64% of the total issued share capital of the Company. Since his joining to the group of Guangxi Automobile in 1987, Mr. Yuan has held various positions within the group of Guangxi Automobile and has over 30 years' of extensive experience in the production, product design and development, human resources and corporate management of the automobile industry. Mr. Yuan has also served in a number of senior positions of SAIC-GM-Wuling Automobile Co. Limited ("**SGMW**") since February 2003. He is currently a director of SGMW, which is a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Company Limited and Guangxi Automobile and is currently a major customer of the Group's businesses in engines and automotive components.

* For identification purpose only

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

Mr. ZHONG Xianhua
Executive Director

Mr. Lee, aged 60, Vice-chairman of the Board and Chief Executive Officer, was appointed as 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 holds directorships of a number of subsidiaries of the Group. He is currently the vice-chairman of Wuling Industrial, and a director of Liuzhou Wuling Liuji Motors Company Limited* (柳州五菱柳機動力有限公司) ("**Wuling Liuji**") a subsidiary 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 also the sole shareholder and sole director of Dragon Hill Development Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 13.74% of the total issued share capital of the Company.

Mr. Zhong, aged 59, was appointed as Executive Director on 4 January 2010. Mr. Zhong holds directorships of a number of subsidiaries and member companies of the Group. Mr. Zhong is currently a director of Wuling Industrial and the secretary of the board of directors of Guangxi Automobile, the ultimate holding company of the Company. Mr. Zhong graduated from Hunan University major in mesoporphyrin protection. His profession is senior engineer and he has over 30 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

* For identification purpose only

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Ms. LIU Yaling
Executive Director

Mr. YANG Jianyong
Executive Director

Ms. Liu, aged 42, was appointed as Executive Director on 22 June 2006. Ms. Liu holds directorships of a number of subsidiaries of the Group. 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 19 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. Yang, aged 49, was appointed as Executive Director on 4 November 2016. Mr. Yang holds directorships of a number of subsidiaries and member companies of the Group. Mr. Yang graduated with an accounting degree from the Faculty of Accounting in the Central South University in China and also holds a master degree in Accountancy from The Chinese University of Hong Kong. Mr. Yang is currently the vice general manager and a director of Wuling Industrial. Mr. Yang is also the vice president, chief financial officer, chief legal counsel of Guangxi Automobile in charge of the finance, legal departments and supervisory board. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively the immediate holding company and the intermediate holding company of the Company, including Guangxi Automobile, all of them being controlling Shareholders of the Company, which are beneficially interested in approximately 60.64% of the total issued share capital of the Company. Besides, Mr. Yang is also a director and the vice general manager of Guangxi YH Investment in charge of the finance department. Mr. Yang joined the group of Guangxi Automobile in 1989 and has about 29 years' of extensive experience in the finance, accounting, legal and corporate financial system institutionalization aspects of the automobile industry. Mr. Yang also served in the senior position of the finance department of SGMW from December 2003 to April 2009, and has been the supervisor of SGMW since July 2016.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTOR

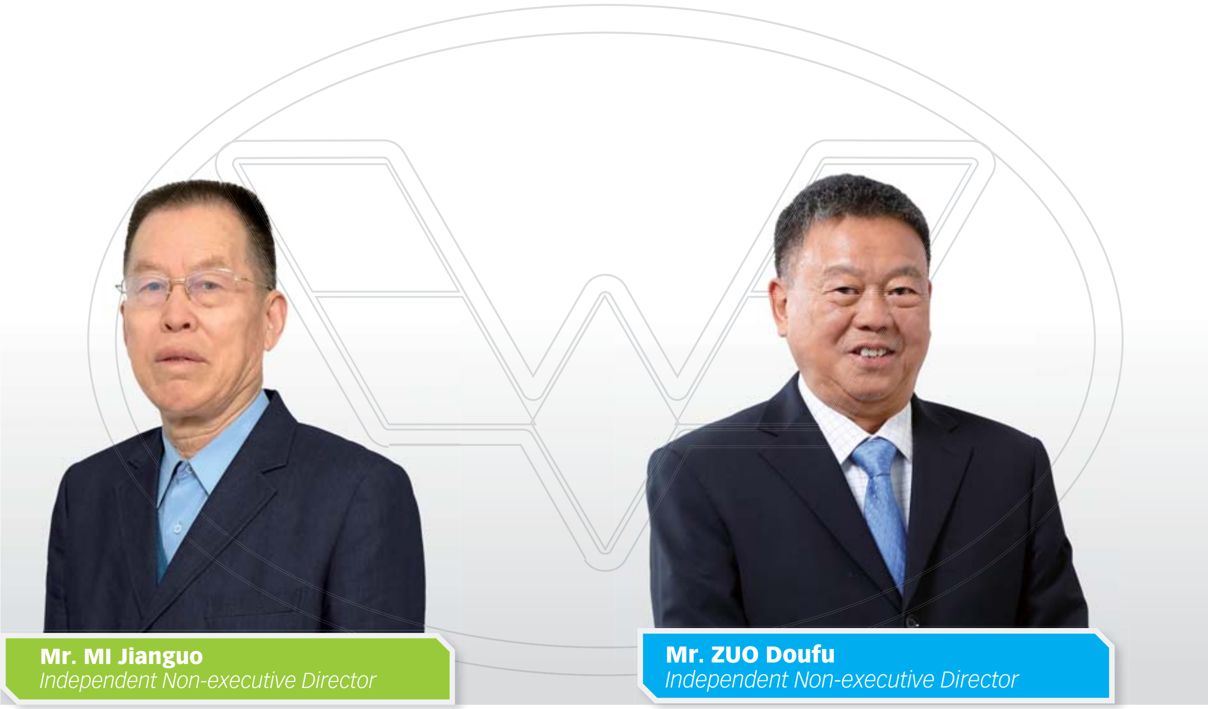
Mr. YE Xiang
Independent Non-executive Director

Mr. WANG Yuben
Independent Non-executive Director

Mr. Ye, aged 54, was appointed as 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 20 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.

Mr. Wang, aged 62, was appointed as an Independent Non-executive Director on 20 March 2015. Mr. Wang obtained a doctorate degree in economic law from the school of law of the Renmin University of China. He is currently an arbitrator of Beijing Arbitration Commission and the executive officer of the research centre of direct marketing of the Peking University. Mr. Wang has more than 35 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Mr.Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES



Mr. MI Jianguo
Independent Non-executive Director

Mr. ZUO Doufu
Independent Non-executive Director

Mr. Mi, aged 67, was appointed as an Independent Non-executive Director on 1 September 2017. Mr Mi is a Ph.D. in Economics, has engaged in the fields of education and research in the PRC for more than 20 years. Mr. Mi served as a teacher at the Hebei University (河北大學) from August 1982 to December 1990. From December 1990 to February 2012, he served as a researcher, vice minister and minister of the marco research department, and the manager of the information center at the Development Research Center of the State Council in the PRC (國務院發展研究中心). He was also the chairman of the board of the State Research Information Technology Co., Ltd (國研信息科技有限公司) and the president of magazine "Economic Participation" (經濟要參雜誌社). Mr. Mi was also rewarded a qualified certificate of Senior Management of Insurance institutions from The China Insurance Regulatory Commission. Mr. Mi is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. Zuo, aged 73, was appointed as Independent Non-executive Director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has about 32 years of experience in the media industry in the PRC. He is also a representative of Congress of Writers' Representatives in the PRC and a member of president group of Guangdong Writer Association. Due to his other business commitments, Mr. Zuo resigned as Independent Non-executive Director on 1 September 2017. Prior to his resignation, Mr. Zuo was the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

* For identification purpose only

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

SENIOR MANAGEMENT

Mr. WEI Hongwen

Mr. Wei, aged 55, served as Executive Director from 10 September 2007 to 4 November 2016 and as the Chairman of the Board and a member of the Nomination Committee (redesignated as chairman from 20 March 2015) from 31 October 2014 to 4 November 2016. Mr. Wei is currently the chairman of the board of directors of Guangxi Automobile, the ultimate holding company of the Company, which are beneficially interested in approximately 60.64% of the total issued share capital of the Company. Mr. Wei is also the chairman of the board of director of Wuling Industrial, a principal subsidiary of the Company. 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 30 years' of experience in the automobile manufacturing industry. Mr. Wei is also the vice chairman of SGMW.

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 53, 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, our principal subsidiary. Mr. Lai has more than 30 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 fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants.

Mr. WEN Daizhi

Mr. Wen, aged 54, is currently the chief engineer of Wuling Industrial, our principal subsidiary. He is also the chairman of the board of directors of Wuling Liuji, a subsidiary of Wuling Industrial and the vice president and chief engineer of Guangxi Automobile, the ultimate holding company of the Company. 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. He is a professor level senior engineer. Mr. Wen has over 32 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. CHEN Xiaofeng

Mr. Chen, aged 43, is currently the vice general manager and is also the general manager of the sales office of Wuling Industrial, our principal subsidiary. Mr. Chen is also the assistant to the general manager of Guangxi Automobile, the ultimate holding company of the Company. Mr. Chen graduated from the College of Material Science and Engineering of Chongqing University. He obtained a master degree in Public Administration from Wuhan University of Science and Technology, his profession is engineer. Mr. Chen has been engaged in the automobile industry in China since his joining to Guangxi Automobile Group in 1997. He has over 20 years' of extensive experience in the production operation, sales, purchasing and supply chain management of the car assembly and automotive components industry.

Mr. LI Weimin

Mr. Li, aged 55, is currently the vice general manager and also the senior controller of the operation and information department of Wuling Industrial, our principal subsidiary. Besides, Mr. Li is also currently the chairman of the board of directors of Guangxi Weixiang Machinery Company Limited* (廣西威翔機械有限公司), a joint venture of Wuling Industrial, he is also the chairman of the board of directors of Hong Kong Zhuoyuan Investment Limited and Hong Kong Zhuo Qiang Investment Limited, both of them subsidiaries of Wuling Industrial. Mr. Li graduated from Nanchang Hangkong University majoring in forging processes and equipment and possessed a post graduate qualification in Business Administration of Asia International Open University (Macao). His profession is senior engineer. Mr. Li has over 32 years' of extensive experience in the production management and quality control of the automotive components industry.

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DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LI Huanyu

Mr. Li, aged 55, is currently the vice general manager of Wuling Industrial, our principal subsidiary and a director and the general manager of Wuling Liuji, a subsidiary of Wuling Industrial. Mr. Li graduated from Wuhan College of Engineering majoring in agricultural machinery and is also a post-graduate student of the Department of Mechanical Manufacturing and Automotion of Guangxi University. His profession is senior engineer. Mr. Li has over 33 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

Mr. WEI Mingfeng

Mr. Wei aged 43, is currently the vice general manager and also the senior controller of the production and manufacturing department of Wuling Industrial, our principal subsidiary. Mr. Wei graduated from Tianjin University majoring in Chemical Mechanical Engineering and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is an engineer. Mr. Wei has over 22 years' of extensive experience in business operations, production management and quality control of the automotive components industry.

Mr. LIU Yourong

Mr. Liu, aged 46, is currently the vice general manager and chief financial officer of Wuling Industrial, our principal subsidiary. Mr. Liu graduated from China University of Mining majoring in Accounting and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is senior accountant. Mr Liu has over 23 years' of extensive experience in cost management and institutionalization of the financial system.

Mr. QIN Qibin

Mr. Qin, aged 55, is currently the assistant chief engineer and the technical centre officer of Wuling Industrial, our principal subsidiary. Mr. Qin graduated from Huazhong University of Science and Technology 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 Guangxi Automobile Group in 1985. He has over 33 years' of extensive experience in the product development and the quality management of the automotive components industry.

Mr. ZHOU Sheji

Mr. Zhou, aged 60, prior to his retirement on 31 December 2017, was the vice general manager of Wuling Industrial, our principal subsidiary, who was responsible for the purchase division of the automotive components and other industrial services division. Mr. Zhou also served as Executive Director from 10 October 2008 to 17 July 2015. Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 30 years' of experience in the management of a number of business sectors in China such as construction, international trade and information technology sectors.

CORPORATE GOVERNANCE REPORT

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 2017.

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 currently applied the Principles and reviewed regularly its corporate governance practices to ensure compliance with the CG Code. During the financial year ended 31 December 2017, the Company confirmed that it has fully complied with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules

THE BOARD

Responsibilities

The Company fully 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 overall management of the Company's business is currently vested in 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 of the Company (the "**Director(s)**") should take decisions objectively in the best interests of the Company and the shareholders of the Company (the "**Shareholders**") as a whole.

The Board takes responsibility for all major decisions of the Group including the approval of all policy matters, the Group's business, strategies directions and financial performance, setting the Company's value and standards; overseeing corporate governance and other significant financial and operational decisions of the Group.

The Company has arranged appropriate liability insurance coverage for all Directors, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc, which is reviewed by the Board on a regular basis.

All Directors currently have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in Bermuda and Hong Kong 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 normally delegated to the senior management of the Group (the "**Management**") and the delegated functions and work tasks have been formalized and periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions, arrangements and/or contracts entered into by the Management.

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

CORPORATE GOVERNANCE REPORT

Composition

The nomination committee of the Company (the "**Nomination Committee** or "**NC**") ensures the composition of the Board a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current composition of five executive Directors and three independent non-executive Directors can effectively exercise independent judgment. The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong

Independent Non-Executive Directors

Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo [(1)]
Mr. Zuo Duofu [(2)]

Notes:

(1) Appointed on 1 September 2017 and then retired and re-elected by the Shareholders on 26 October 2017
(2) Resigned on 1 September 2017

Mr. Zhong Xianhua, who was appointed as executive Director on 4 January 2010; Mr. Yuan Zhijun and Mr. Yang Jianyong, who were appointed as executive Directors on 4 November 2016, were respectively nominated by 廣西汽車集團有限公司 Guangxi Automobile Holdings Limited* ("**Guangxi Automobile**"), the ultimate controlling Shareholder.

Save as abovementioned, the Board members has no financial, business, family or other material/relevant relationships with each other.

The Board has a balanced composition and strong independent element. The biographical details of the current Directors are set out in the section headed "**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**" from pages 33 to 38 in this annual report and are available on the Company's website (www.wuling.com.hk), which demonstrate a diversity of skills, expertise, experience and qualifications.

The composition of the Board is stated in the section headed "**CORPORATE INFORMATION**" in this annual report. The list of current Directors identifying their roles, functions and titles 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 also maintains on its website (www.wuling.com.hk) and on the Stock Exchange's website (www.hkexnews.hk) an updated list of current Directors (by category) identifying their role and function.

The Board has adopted the board diversity policy and has posted it on the Company's website (www.wuling.com.hk). The Nomination Committee has been delegated by the Board to review and recommend the size, structure, composition and diversification of the Board on an annual basis.

The Company has currently complied with Rules 3.10 and 3.10A of the Listing Rules that (i) the Board includes three independent non-executive Directors; (ii) one of the independent non-executive Directors have appropriate professional qualifications, accounting and related financial management expertise; and (iii) independent non-executive Directors represent more than one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence for the year ended 31 December 2017 pursuant to the rule 3.13 of the Listing Rules. The Board and the Nomination Committee has considered and agreed all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the rule 3.13 of the Listing Rules.

* For identification purpose only

Appointment, Re-election and Resignation of Directors

NC has been set up by the Board and NC has established formal, considered and transparent policies, procedures and criteria for the appointment, re-election, resignation, re-designation, retirement, rotation and/or removal of the Director(s) in accordance with the Company's bye-laws, the Listing Rules and all applicable laws.

Pursuant to the Company's bye-laws and/or the Code Provisions of the Listing Rules, at each annual general meeting of the Company not less than one-third of the Directors (including those appointed for a specific term) for the time being shall retire from the Board by rotation provided that each Director shall retire from office not later than the third annual general meeting of the Company after he/she was last elected or re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director be appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

During the year, Messrs. Lee Shing and Liu Yaling being executive Directors, Mr. Wang Yuben, being independent non-executive Director, retired from the Board by rotation and were re-elected as the Directors by separate resolutions passed by the Shareholders in the 2017 annual general meeting of the Company held on 31 May 2017 (the "**2017 AGM**") in accordance with the Company's bye-laws and the Listing Rules.

Due to his other business commitments, Mr. Zuo Duofu tendered his resignation as an independent non-executive Director, the chairman of the remuneration committee of the Company ("**Remuneration Committee**" or "**RC**"), a member of the audit committee of the Company ("**Audit Committee**" or "**AC**") and the Nomination Committee all with effect from 1 September 2017. Succeeding the resignation of Mr. Zuo Duofu, Mr. Mi Jianguo was appointed as an independent non-executive Director, the chairman of Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee all with effect from 1 September 2017.

In accordance with the Company's bye-law 91, Mr. Mi Jianguo, who was appointed as the Director by the Board on 1 September 2017, retired as Director at the special general meeting of the Company held on 26 October 2017 and was then re-elected as Director by the Shareholders in the same general meeting.

The Company has entered into service contracts with all current independent non-executive Directors, namely Messrs. Ye Xiang, Wang Yuben and Mi Jianguo, for a specific term of three years who are also required to retire from the Board by rotation and then re-election by the Shareholders at the annual general meeting of the Company in accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules.

For independent non-executive Director who has served the Company for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the Shareholders at the annual general meeting of the Company and the papers to the Shareholders accompanying the reasons why the Board believes he/she is still independent and should be re-elected.

The Nomination Committee is responsible for determining the policy for the nomination of Directors, reviewing the Board composition and diversity of the Board, developing and formulating the relevant procedures, processes and criteria for selection and recommendation of candidates for directorship, monitoring the re-appointment and succession planning of the Directors and assessing the independence of each independent non-executive Director, etc.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules, Messrs. Zhong Xianhua and Yang Jianyong, being executive Directors, Mr. Ye Xiang, being independent non-executive Director, (collectively, the "**Retiring Director(s)**), will retire from the Board by rotation at the conclusion of the annual general meeting of the Company to be held on 8 June 2018 ("**2018 AGM**") and, being eligible, offer themselves for re-election as Directors by respective separate resolutions to be passed by the Shareholders at the 2018 AGM. Mr. Ye Xiang ("**Mr. Ye**") has served as an independent non-executive Director for more than nine years in his further re-election as Director at the 2018 AGM. During his 9 years of tenure, Mr. Ye has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his more than nine years of service as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Nomination Committee and the Remuneration Committee, the Board and the Nomination Committee is of the view that Mr. Ye is able to continue to fulfill his role as required and thus recommended him for re-election at the 2018 AGM in accordance with the Listing Rules. Mr. Ye has made a written annual confirmation of independence for the year ended 31 December 2017 pursuant to rule 3.13 of the Listing Rules. The Board and the Nomination Committee has also recommended the re-election of all the Retiring Directors standing for re-election at the 2018 AGM.

Detailed information of all the Retiring Directors standing for re-election at the 2018 AGM together with the explanation to the Shareholders accompanying the reasons why the Board believes Mr. Ye, who has served the Company for more than nine years in his further re-election at the 2018 AGM, is still independent and should be re-elected be fully described in the Company's circular as per the Listing Rules, which will be dispatched to Shareholders with this annual report.

Training for Directors

Each newly appointed Director should receive 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 group structure, Board procedures, business, management, operations, financial and development of the Company, as well as rules and regulations under the Company's bye-laws, the Securities and Futures Ordinance, the Listing Rules and relevant applicable regulatory requirements in Bermuda and Hong Kong.

An induction programme covering the abovementioned matters was therefore arranged for Mr. Mi Jianguo, an independent non-executive Director, when he joined the Board in September 2017, that helped him fully aware of his responsibilities and obligations in the Company.

During the year, a full day training course conducted by a professional training firm which covered the updated Listing Rules and other relevant applicable regulatory and compliance requirements was arranged by the Company which were attended by all executive Directors and other senior executives of the Group. Besides, chief financial officer of the Company, who is also the company secretary of the Company ("**Company Secretary**") and/or the Management keeps circulating articles, news and monthly reports, which are related to the Group's business, economy, market trend as well as the change in rules and regulations, if any, to Directors namely, Mr. Yuan Zhijun, Mr. Lee Shing, Mr. Zhong Xianhua, Ms. Liu Yaling, Mr. Yang Jianyong, Mr. Ye Xiang, Mr. Wang Yuben, and Mr. Mi Jianguo (who was appointed on 1 September 2017) and Mr. Zuo Duofu (who resigned on 1 September 2017) from time to time to update, refresh and strengthen Directors' knowledge and skills. Furthermore, all Directors are also encouraged to attend other relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

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 statements, operating performance, board resolutions, budgets, corporate governance, rules and regulations, announcements and circulars issued by the Company, the Shareholders' information and considering and approving the progress of the various on-going projects, the overall strategies and policies of the Company. They meets more frequently as and when required.

The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities. During the year ended 31 December 2017, a total number of four (4) regular meetings of the Board, two (2) meetings of the Audit Committee, one (1) meeting of the Nomination Committee and one (1) meeting of the Remuneration Committee (as defined below) were held by the Company.

During the year, the Board has regularly reviewed the contributions from each Director and confirmed that they have spent sufficient time performing their duties and responsibilities. The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Remuneration Committee and Nomination Committee, as well as the 2017 AGM and special general meetings of the Company (the "**SGM**") held during the year ended 31 December 2017 are set out below:

Name of Directors	Attendance record of Directors at the meetings in 2017					
	AGM	SGM	Board	AC	RC	NC
No. of Meeting(s)	1	4	4	2	1	1
Executive Directors						
Mr. Yuan Zhijun *(Chairman)*	1/1	0/4	4/4	N/A	N/A	1/1
Mr. Lee Shing *(Vice-chairman)*	1/1	4/4	4/4	N/A	N/A	1/1
Mr. Zhong Xianhua	0/1	0/4	4/4	N/A	N/A	N/A
Ms. Liu Yaling	1/1	1/4	4/4	N/A	N/A	N/A
Mr. Yang Jianyong	0/1	0/4	4/4 (3)	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Ye Xiang	1/1	4/4	4/4 (3)	2/2	1/1	1/1
Mr. Wang Yuben	1/1	1/4	4/4	2/2	1/1	1/1
Mr. Mi Jianguo (1)	0/0	0/2	1/1 (3)	0/0	0/0	0/0
Mr. Zuo Duofu (2)	1/1	1/2	3/3	2/2	1/1	1/1

(1) Appointed on 1 September 2017.
(2) Resigned on 1 September 2017.
(3) One of the meeting was attended by alternate.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting of the Board and Committees' the committees of the Board ("**Committees**") are normally made available to Directors and Committees' members in advance. Notices and Agenda of regular Board meetings are served to all Directors at least 14 days before the meetings. Directors may include any of his/her concerns in the agenda. For other Board and the Committees meeting, reasonable notice is generally given to the Directors and members of each Committees.

Board and Committees papers together with all appropriate, complete and reliable information are sent to all Directors and Committees' members within a reasonable period of time in advance of the intended meeting or at least 3 days before each Board meeting and Committee meeting to keep the Directors and Committees' members studied and apprised of the current developments and/or financial position of the Company and to enable them to make informed decisions. All Directors have unrestricted access to the advice and services of the Company Secretary, who did and would ensure that the Board and Committees receive appropriate and timely information and that Board and Committees procedures, and all applicable rules and regulations, are being followed. The Board and each Director and Committees' member also have separate and independent access to the Management for making enquiries and to obtain further information, when required.

The responsible senior management currently attends Board meetings and each Committee meetings to advise on and answer the queries of the business developments, operation performance, various on-going projects, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company and the Group.

The responsible senior management or the Company Secretary take and keep minutes of all Board meetings and Committee meetings as well as the all written resolutions. Draft minutes record in sufficient details the matters discussed and resolved, and these minutes and written resolutions are normally circulated to all the Directors and Committees' members for comments (if any) and/or approval within a reasonable time after each meeting and the final version is open for Directors' and Committees members' inspection.

The Management currently provide all Directors with monthly updated and detailed financial position, operation performance and prospects of the Group and the progress of the various ongoing projects to enable them to closely monitor the performance and operation of the Company.

The Company's bye-laws and the Listing Rules contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at Board and/or Committees' meetings for approving transactions, arrangements and/or contracts in which such Directors or any of their associates have a material interest. Independent non-executive Directors take lead when potential conflicts of interest arise. During the year ended 31 December 2017, Independent Board Committee comprising all independent non-executive Directors has been formed and advised the independent Shareholders on those connected transactions and continuing connected transactions that prior approval by the independent Shareholders at the special general meetings of the Company were required.

CHAIRMAN, CHIEF EXECUTIVE OFFICER, DIRECTORS

The Company observes the principle that there should be a clear division of duties and responsibilities at the head of the Company between the running of the Board and the executive duties and responsibility of 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 one individual.

During the year, the chairman of the Board is Mr. Yuan Zhijun, whereas, the chief executive officer of the Company is Mr. Lee Shing respectively, who have no relationship with each other. The roles of the chairman of the Board and the chief executive officer of the Company have been segregated and assumed by them separately such that Mr. Yuan Zhijun, the chairman of the Board, has executive responsibilities and provides leadership to the Board in terms of establishing policies, strategies and business directions of the Company. He ensures that the Board works effectively and performs its duties and responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. He takes primary responsibility for ensuring that good corporate governance practices and procedures are established and followed. He has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company and the Shareholders as a whole. Mr. Lee Shing, as the chief executive officer, has been delegated with the authorities for the overall operations and the executive responsibilities of the Group and full implementation of the directions and policies established by the Board.

During the financial year ended 31 December 2017, the chairman of the Board has held one meeting with the independent non-executive Directors without the other executive Directors present. The chairman of the Board has encouraged all the Directors with different views to voice their concerns, allowed sufficient time for discussion of issues raised and ensured that Board decisions fairly reflect Board consensus. The chairman of the Board supported a culture of openness and debate by facilitating the effective contribution of independent non-executive Directors in particular and ensuring constructive relations between executive and independent non-executive Directors. The chairman of the Board keeps effective communication channel with the Shareholders and ensure the Shareholders' views are communicated to the Board as a whole.

The other executive Directors of the Company are delegated with responsibility to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board.

The independent non-executive Directors keep bringing a wide range of business and financial expertise, skills, experiences and independent judgment on the issues of strategies, policies, performance accountability, operation, management, development, resources, key appointments, connected transactions and standards of conduct to the Board of the Company. Through regular attendance and active participation in meetings of the Board and Board committees and/or general meetings of the Company, taking the lead in managing issues involving potential conflict of interests among Directors and serving on Board committees, all independent non-executive Directors did and would make various contributions to the effective performance, operation, direction and development of the Company. Independent Board Committee comprising all independent non-executive Directors did and will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company. One of the independent non-executive Directors possesses the appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

BOARD COMMITTEES

The Board has established three Committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Committees have been established with defined written terms of reference. The terms of reference of the Committees, amended from time to time, are currently disclosed in the websites of the Company (www.wuling.com.hk) and the Stock Exchange (www.hkexnews.hk/) and are available to Shareholders upon request.

The members of the Audit Committee and the Remuneration Committee are currently all independent non-executive Directors, whereas, the majority members of Nomination Committee comprises independent non-executive Directors. The list of the current chairman and members of each Committee is set out in the section headed "**CORPORATE INFORMATION**" in this annual report.

The Committees are currently 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, which has been established in compliance with Rule 3.25 of the Listing Rules, currently comprises three independent non-executive Directors including Mr. Mi Jianguo (Chairman of Remuneration Committee, who replaced Mr. Zuo Duofu with effect from 1 September 2017), Mr. Ye Xiang and Mr. Wang Yuben.

The Remuneration Committee normally meets at least once a year. The primary objectives of the Remuneration Committee pursuant to its term of reference include making recommendations to the Board on the remuneration policy and structure and remuneration packages of all Directors and the Management with reference to those companies in similar industries. The Remuneration Committee is also responsible for establishing a formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates be participated in deciding his/her own remuneration, which remuneration be determined by reference to the duties and responsibilities of Directors, business performance and profitability of the Group and market conditions. 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 and assessment. The Remuneration Committee consults the chairman of the Board about these recommendations on remuneration policy and structure as well as the remuneration packages.

The Remuneration Committee held one (1) meeting and passed certain written resolutions during the year ended 31 December 2017 to, inter alia,

(1) review the summary of remuneration package paid to each Directors and senior management of the Company;

(2) study the current remuneration package, policy and structure of all Directors (including appointment(s), resignation(s) and retirement(s) during the year);

(3) propose remuneration packages with reference to the duties and responsibilities of Directors and senior management, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board and a report of salaries paid by the comparable companies to directors and senior management;

(4) consider the service contract(s) to be entered with the independent non-executive Director(s) and/or the Director(s) (if any);

(5) review the procedures of remuneration policy, procedures and structure for fixing the remuneration packages; and

(6) approve remuneration package of the newly appointed independent non-executive Director and the compensation package of the independent non-executive Director, if any, who resigned during the year ended 31 December 2017.

The attendance records of the meeting of the Remuneration Committee during the year ended 31 December 2017 are set out under the section of "**BOARD MEETINGS**" on page 45.

Audit Committee

The Audit Committee, which has been established in compliance with Rule 3.21 of the Listing Rules, currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (Chairman of the Audit Committee), Mr. Wang Yuben and Mr. Mi Jianguo (who replaced Mr. Zuo Duofu with effect from 1 September 2017), among them one independent non-executive Director possesses the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditors.

The Audit Committee operates pursuant to its terms of reference, its' main duties include the followings:

(a) To review the financial statements and reports of the Company 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 of the Company before submission to the Board;

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

(c) To review the continuing connected 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) either on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and

(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 two (2) meetings during the year ended 31 December 2017 to, inter alia,

(1) review and approve the draft audited consolidated financial statement and the draft unaudited consolidated financial statement together with and the respective draft result announcements, including changes in accounting policies and practices; major judgmental areas; significant adjustments resulting from the audit (if any); the going concern assumption; compliance with accounting and auditing standards and compliance with the Listing Rules and legal requirements in relation to financial reporting to the Board for consideration and approval;

(2) assess the independence of the external auditor of the Company and the objective and effectiveness of audit process;

(3) review the relationship with the external auditor and then recommend the re-appointment of the external auditor of the Company and recommend its remuneration;

(4) evaluate the adequacy and effectiveness of the Group's system of internal control and risk management which covered all material controls including financial, operational and compliance together with the associated procedures;

(5) review and approve the internal audit programme, review the internal audit reports and discuss any significant issues with the Management;

(6) study the adequacy of resources, qualifications and experience of staffs of the Group's accounting and financial reporting function and their training programmes and budget; and

(7) review the current continuing connected transactions.

The attendance record of the meetings of AC during the year ended 31 December 2017 are set out under the section of "**BOARD MEETINGS**" on page 45.

Nomination Committee

The Nomination Committee, which has been established in compliance with Sections A5.1 and A5.2 of the Appendix 14 of the Listing Rules, currently comprises Mr. Yuan Zhijun, Chairman of the Board (Chairman of the Nomination Committee), three independent non-executive Directors including Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo (who replaced Mr. Zuo Duofu with effect from 1 September 2017),as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

The primary objectives of the Nomination Committee pursuant to its term of reference include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, making recommendations on the any proposed changes to the Board composition, proposing the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors; reviewing the board diversity with reference to the Board Diversity Policy and commenting the Directors' rotation from the Board in each annual general meeting of the Company and office succession planning for Directors in particular the chairman of the Board and the chief executive officer.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

(a) With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development;

(b) In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

(c) All Board appointments be based on meritocracy, and candidates be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee held one (1) meeting and passed certain written resolutions during the year ended 31 December 2017 to, inter alia,

(1) review the duties of Nomination Committee set out in the terms of reference and the policy for the nomination of Directors;

(2) assess the structure, size and composition of the Board and analyse the diversity of the Board with reference to the Board Diversity Policy adopted by the Board;

(3) evaluate the performance of the Board with reference to the board performance report;

(4) study the independence of each independent non-executive Director in accordance with the Listing Rules;

(5) identify those Directors to be retired from the Board by rotation in the annual general meeting and then be re-elected as Director in the same meeting in accordance with the Company's byelaws and the Listing Rules;

(6) propose the maximum number of Director of the Board in annual general meeting;

(7) review the service contract(s) to be entered with the independent non-executive Director; and

(8) consider, approve and recommend the appointment and resignation of independent non-executive Directors.

The attendance records of the meeting of the Nomination Committee during the year ended 31 December 2017 are set out under the section of "**BOARD MEETINGS**" on page 45.

CORPORATE GOVERNANCE

The Board is responsible for performing the corporate governance duties. During the year ended 31 December 2017, the Board, inter alia,

(1) reviewed the policy and practices on corporate governance and make recommendations to the Board;

(2) assessed training and continuous professional development to Directors and the Management;

(3) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(4) monitored the compliance with the Company's own code of conduct regarding director's dealings in the Company's securities (the "**Own Code**") on term no less exacting than the Model Code (defined below) under the Listing Rules; and

(5) reviewed the compliance with the code provision of the CG Code and this corporate government report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 all 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**") and Policy on disclosure of inside information 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 Guidelines by the employees of the Group 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 audited consolidated financial statements of the Company for the year ended 31 December 2017 by the auditors about their reporting responsibilities. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board currently receives from the Management monthly management accounts, explanation and analysis of the operation performance and development of the Group together with relevant information which enable the Board to make an informed assessment of the current financial positions and the status of the Group.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the audited consolidated financial statements for the year ended 31 December 2017 is set out in the "**INDEPENDENT AUDITOR'S REPORT**" on pages 70 to 73 in this annual report.

Apart 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 2017, Deloitte Touche Tohmatsu, the external auditor of the Company received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

	2017 ***RMB'000***
Annual audit services	**1,815**
Interim review services	**569**
Other services	**109**

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control and risk management system to safeguard the Shareholder investments and the Company and its subsidiaries assets, and reviewing the effectiveness of such on an annual basis with participation of the Audit Committee.

The Group has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the Management. The internal control and risk management systems of the Group are designed to identify and evaluate the significant risks and to minimize the risks to which the Group is exposed, and are designed to manage rather than eliminate the risks of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses.

CORPORATE GOVERNANCE REPORT

The Group which currently engages in the businesses of the trading and manufacturing of automotive components, engines and the specialized vehicles (which covers the new energy vehicles, represented primarily by the electrical vehicles), has established internal control and risk management systems which are designed and structured in accordance with its specific business and operation functions.

The main features of the internal control and risk management systems of the Group comprise primarily: (i) the setting of objectives, budgets and targets, subject to the close monitoring and periodic update and evaluation by the responsible departments, Management and the Directors; (ii) the establishment of regular reporting of financial information supplemented by other regular and ad hoc reports for review and appraisal by the Management and the Directors on a timely manner to ensure the Management and Directors are supplied with all the requested information to assess the business performances of the Group in arriving at appropriate plans and actions; (iii) the delegation of authority and establishment of clear lines of accountability to ensure an effective day-to-day management, administration and operation of the Group; and (iv) the periodic review and evaluation of the systems and control procedures to ensure their appropriateness to the changing business and operation environment as well as to identify any areas of material risks and weaknesses for the purpose of proper mitigation and improvement.

The Board monitors the Group's business risks, operating risk management and internal controls. An internal audit department is also maintained to carry out the internal audit functions to ensure proper compliance with the internal control and risk management system to identify the potential risks which may arise in the operation and financial aspects of the Group's business for implementation of appropriate measures and policies on a continuing basis. The scope of review and the audit plan of the internal audit department for the year ended 31 December 2017, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are reviewed and approved by the Audit Committee in conjunction with the Management. The internal audit department executes their functions based on a yearly plan and prepares reports for their assignments. These reports are submitted to the Management, the Board and the Audit Committee for review on a regular basis.

The Group initiated an organized risk management function in the year 2014 through the establishment of the risk management department and the formulation of the relevant risk management procedures. The report prepared by the risk management department for the year 31 December 2017 has been provided to the Management, the Board and Audit Committee for review.

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control and risk management system and the internal audit functions of Group. The review covers all material controls, including financial reporting system, operational and compliance controls and risk management system as well as the adequacy of resources, qualifications and experiences of staffs of the Company's accounting and financial reporting system, and their training programmes and budget. The Board and the Audit Committee confirmed that during the year under review, there were no significant control failings or weaknesses identified which might have a material impact on the Company's financial performance or operation and the required procedures and human resources are in place to ensure adequate internal controls within the Group.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted an Inside Information Disclosure Policy (the "**Policy**") for the Company since 2013 for monitoring inside information to ensure compliance with the Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Policy are summarized below:

HANDLING OF INSIDE INFORMATION

(a) Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the Management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.

(b) Each Department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors, the chief financial officer, who is also the Company Secretary, immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

(c) The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

DISSEMINATION OF INSIDE INFORMATION

Inside information is announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wuling.com.hk). The electronic publication system of the Stock Exchange is the first channel of dissemination of the Group's information before any other channel.

SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Tengis Limited, whose contact details are stated in the section headed "**CORPORATE INFORMATION**" of this annual report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting of the Company and state the purpose therefore at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has adopted communications policy with Shareholders and investors of the Company (the "**Communication Policy**") that provide ready, equal and timely access to understandable information about the Company, the Communication Policy is posted on the Company website (www.wuling.com.hk). The Board is welcome to Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to bye-law 89 of the Company, if a Shareholder wish to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the head office of the Company at the within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company's website (www.wuling.com.hk).

CORPORATE GOVERNANCE REPORT

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilities Shareholder's understanding.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company acknowledges the importance of maintaining effective communication with the Shareholders and the investment community and has established the Communication Policy and review it regularly. Each general meeting of the Company provides a forum for communication between the Board and the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.

During the year, Mr. Lee Shing, the Vice-Chairman and the Chief Executive Officer, attended all of the Shareholders' meetings held by the Company. Mr. Yuan Zhijun, the chairman of the Board, and Mr. Lee Shing, the vice-chairman of the Board, will use their endeavours to attend all future shareholders' meetings of the Company.

The Chairman of the Board did and would arrange for the Chairman and/or member of each Committee together with the external auditor of the Company be available to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and others in each annual general meeting of the Company. Moreover, as for the connected transactions, the continuing connected transactions or any other transactions that are subject to independent Shareholders' approval, the chairman or a member of the independent board committee did and would also be available to answer questions at special general meetings of the Company.

Most resolutions would be passed by way of poll at each of the general meeting of the Company. Shareholders who are unable to attend general meetings of the Company can appoint proxies to attend and vote at general meetings of the Company. The chairman of general meetings of the Company would provide explanation of the detailed procedures for conducting a poll and then would answer questions (if any) from the Shareholders regarding voting by way of poll. The Company would send notices of the annual general meetings of the Company to the Shareholders at least 20 clear business days before each annual general meeting of the Company and at least 10 clear business days before all other general meetings of the Company.

The Company's website (www.wuling.com.hk) contains important corporate information, annual and interim reports, as well as announcements and circulars issued by the Company to enable the Shareholders and the investors community to have timely access to updated information about the Group.

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.

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. He is reporting to the Chairman of the Board and the Chief Executive Officer. For the year ended 31 December 2017, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking not less than 15 hours of relevant professional training. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

REPORT OF THE DIRECTORS

The directors of the Company ("**Directors**") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively as the "**Group**") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the sections of "**CHAIRMAN'S STATEMENT**", "**REPORT OF THE CEO**", "**OPERATION REVIEW**" and "**FINANCIAL REVIEW**" set out on pages 2 to 32 of this annual report. These sections form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the sections of "**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**" of this annual report on page 74.

The Directors recommended the payment of a final dividend of HKD1.25 cents per ordinary share of the Company (the "**Share(s)**") for the year ended 31 December 2017 (the "**Final Dividend**") (2016: HKD1.25 cents) to the shareholders of the Company (the "**Shareholder(s)**"), whose names shall be on the register of members of the Company on 21 June 2018, amounting to approximately HKD25,626,000 (equivalent to approximately RMB21,342,000), subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Friday, 8 June 2018 (the "**2018 AGM**").

CLOSURE OF REGISTER OF MEMBERS

For Attendance of 2018 AGM

The register of members of the Company will be closed from Tuesday, 5 June 2018 to Friday, 8 June 2018 (both dates inclusive) (the "**1st Book Close Period**") , for the purpose of determining the Shareholders' eligibility to attend and vote at the 2018 AGM and during the 1st Book Close Period no transfer of the Shares will be effected. In order to qualify for attendance of the 2018 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 4 June 2018.

For Entitlement to Final Dividend

The register of members of the Company will be closed from Friday, 15 June 2018 to Thursday, 21 June 2018 (both days inclusive) (the "**2nd Book Close Period**"), for the purpose of determining the Shareholders' entitlement to the Final Dividend and during the 2nd Book Close Period no transfer of the Shares will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 14 June 2018. Subject to the approval of the Final Dividend by the Shareholders in the 2018 AGM, the dividend warrants of the Final Dividend will be dispatched to the Shareholders on 29 June 2018.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the "**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**" of this annual report on page 77.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in the reserves of the Company during the year are set out in note 43 to the consolidated financial statements of this annual report.

As at 31 December 2017, the Company's reserves available for distribution to the Shareholders were RMB314,321,000, which comprises contributed surplus of RMB94,381,000 and retained profits of RMB219,940,000 of the Company.

Under the Companies Act of Bermuda (as amended from time to time), contributed surplus is available for distribution to the 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.

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 respective audited consolidated financial statements of the Company is set out below. This summary does not form part of the consolidated financial statements of this annual report:

	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**16,123,895**	16,677,695	13,451,243	12,138,662	12,037,324
Profit before tax	**385,348**	399,883	242,014	142,370	130,439
Income tax expense	**(103,564)**	(119,610)	(71,962)	(33,953)	(24,405)
Profit for the year	**281,784**	280,273	170,052	108,417	106,034
Profit for the year attributable to:					
Owner of the Company	**173,158**	140,462	82,212	49,443	50,528
Non-controlling interests	**108,626**	139,811	87,840	58,974	55,506
	281,784	280,273	170,052	108,417	106,034
Total assets	**11,707,640**	12,382,921	11,637,552	9,814,578	10,206,983
Total liabilities	**(9,219,780)**	(10,247,750)	(9,747,892)	(8,201,386)	(8,856,344)
Net assets	**2,487,860**	2,135,171	1,889,660	1,613,192	1,350,639
Net assets attributable to:					
Owner of the Company	**1,442,682**	1,176,145	1,041,513	794,338	585,859
Non-controlling interests	**1,045,178**	959,026	848,147	818,854	764,780
	2,487,860	2,135,171	1,889,660	1,613,192	1,350,639

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group revalued its investment properties at the year ended on 31 December 2017. The net increase in fair value of the investment properties of the Group, which has been credited directly to consolidated income statement of profit or loss and other comprehensive income, amounted to RMB1,193,000 (2016: net decrease of RMB642,000).

Details of these and other movements during the year in the property, plant and equipment, prepaid lease payments, premium on prepaid lease payments and investment properties of the Group are set out in notes 15, 16, 17 and 18 to the consolidated financial statements of this annual report, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements of this annual report.

CONVERTIBLE LOAN NOTES AND CAPITAL INCREASE INTO WULING INDUSTRIAL

On 23 May 2017, the Company issued a convertible loan notes of a principal amount of HKD400,000,000 to Wuling (Hong Kong) Holdings Limited ("**Wuling HK**"), our controlling Shareholder, as approved by the independent Shareholders at a special general meeting of the Company held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum with maturity on 23 May 2020 would be eligible to be converted into a total number of 571,428,571 fully paid up Shares at an initial conversion price of HKD0.70 per Share (subject to anti-dilutive adjustments) commencing from 22 November 2017 up to the fifth business day prior to the maturity date.

In connection with the issue of these convertible loan notes and as approved by the independent Shareholders at the abovementioned special general meeting, the Company had also completed the first instalment of capital injection into 柳州五菱汽車工業有限公司 Liuzhou Wuling Motors Industrial Company Limited* ("**Wuling Industrial**"), our non-wholly-owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. On 29 December 2017, the Company announced that as the conditions precedents of the second instalment of capital injection of RMB250,000,000 into Wuling Industrial were not expected to be fulfilled on or before 31 December 2017, i.e. the long stop date in respect of the second instalment, the second instalment was lapsed on 31 December 2017.

Details of the above issue of the convertible loan notes and the above capital injection into Wuling Industrial were fully described in the Company's announcements dated 13 October 2016, 31 December 2016, 28 February 2017, 24 April 2017, 23 May 2017 and 29 December 2017 and the Company's circular dated 28 November 2016.

* For identification purpose only

On 29 December 2017, the Company received a notice from Wuling HK in relation to the conversion of an aggregate principal amount of HKD150,000,000 of the convertible loan notes into fully paid up Shares at the conversion price of HKD0.70 per Share. Accordingly, an aggregate of 214,285,714 fully paid up Shares represents (i) approximately 11.67% of the existing total number of Shares in issue of the Company on 29 December 2017; and (ii) approximately 10.45% of the total number of Shares in issue of the Company as enlarged by such conversion were allotted and issued by the Company on 29 December 2017.

Subsequent to the above conversion, the aggregate principal amount of convertible loan notes remained outstanding was HKD250,000,000, which would be eligible to be converted into a total number of 357,142,857 fully paid up Shares according to the terms and conditions of the convertible loan notes.

Details of movements of the liability and derivative components of the convertible loan notes during the year are set out in note 29 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's bye-laws or the laws in Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 28 to the consolidated financial statements of this annual report.

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 respectively 68.74% and 72.97% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and the five (5) largest suppliers taken together accounted for respectively 35.28% and 42.52% of the Group's total purchases for the year.

上汽通用五菱汽車股份有限公司 SAIC-GM-Wuling Automobile Co., Ltd.* ("**SGMW**"), in which, 廣西汽車集團有限公司 Guangxi Automobile Holdings Limited* ("**Guangxi Automobile**"), the ultimate controlling Shareholder, holds a 5.8% interests, was the Group's largest customer and largest supplier for the year. 桂林客車發展有限公司 Guilin Bus Development Co., Limited* ("**Guilin Bus**"), in which, Guangxi Automobile holds 70% of its registered capital was the Group's second largest customer and second largest supplier, which respectively accounted for 1.43% of the Group's total revenue for the year and 2.05% of the Group's total purchases for the year. 柳州廣菱汽車技術有限公司 Liuzhou Guangling Moulds & Tools Technology Limited* ("**Guangling**"), in which, Guangxi Automobile holds 50.1% of its registered capital was the Group's fifth largest customer, which accounted for 0.83% of the Group's total revenue for the year. The sale and purchase transactions of the Group with Guilin Bus and Guangling for the year ended 31 December 2017 were governed under the 2017-2019 Master Agreement as detailed under the following section headed "**CONTINUING CONNECTED TRANSACTIONS**" of this Report of the Directors on pages 65 to 67.

Other than as disclosed above, none of the Directors, their close 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/or suppliers of the Group for the year.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong

Independent Non-Executive Directors

Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo[(1)]
Mr. Zuo Duofu[(2)]

* For identification purpose only

Notes:

(1) *Appointed on 1 September 2017 and then retired and re-elected by the Shareholders on 26 October 2017*
(2) *Resigned on 1 September 2017*

The biographical details of the current Directors are set out on pages 33 to 38 of this annual report.

Pursuant to the Company's bye-laws and/or The Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), at each annual general meeting of the Company not less than one-third of the Directors (including those appointed for a specific term) for the time being shall retire from the board of Director (the "**Board**") by rotation provided that each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

In accordance with bye-law 99(B) of the Company, Mr. Zhong Xianhua, Mr. Yang Jianyong and Mr. Ye Xiang ("**Retiring Directors**") shall retire from the Board by rotation at the conclusion of the 2018 AGM and, being eligible, offer themselves for re-election at the 2018 AGM. Mr. Ye Xiang ("**Mr. Ye**") has served as an independent non-executive Director for more than 9 years in his further re–election as Director at the 2018 AGM. During his 9 years of tenure, Mr. Ye has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his more than nine years of service as an independent non–executive Director, the Board and the Nomination Committee is of the view that Mr. Ye is able to continue to fulfill his role as required and thus recommended him for re–election at the 2018 AGM in accordance with the Listing Rules. Mr. Ye has made a written annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Board and the Nomination Committee has also recommended the re–election of all the Retiring Directors standing for re–election at the 2018 AGM.

Due to his other business commitments, Mr. Zuo Duofu tendered his resignation as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee all with effect from 1 September 2017. Succeeding the resignation of Mr. Zuo Duofu, Mr. Mi Jianguo was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee all with effect from 1 September 2017.

In accordance with the Company's bye-law 91, Mr. Mi Jianguo, duly appointed by the Board on 1 September 2017, retired as Director at the special general meeting of the Company held on 26 October 2017 and was then re-elected as Director by the Shareholders in the same general meeting.

For the year ended 31 December 2017, the Company has received from each of its independent non-executive Director, the respective written annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and the Board and the Nomination Committee has considered and agreed all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

Details of the Directors' and senior management's emolument disclosed on a named basis and/or by band, respectively, are set out in notes 11 and 12 to the consolidated financial statements of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all the three (3) independent non-executive Directors for a specific term of three (3) years who are also required to retire from the Board by rotation at the annual general meeting of the Company and then re-election by the Shareholders in the same meeting at least once every three years in accordance with the Company's bye-laws and the Listing Rules.

No Director being proposed for re-election at the 2018 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2017, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), contained in Appendix 10 of the Listing Rules were as follows:

Long Positions

Names of Director	Capacity	Number of Shares held	Approximate % of the total number of Shares in issue*
Mr. Lee Shing ("**Mr. Lee**")	Interest in controlled corporation (Note)	281,622,914	13.74%
	Beneficial owner	3,090,900	0.15%
	Interest held by spouse	1,648,480	0.08%
	Sub-total	286,362,294	13.97%
Ms. Liu Yaling	Beneficial owner	2,060,600	0.10%
Mr. Ye Xiang	Beneficial owner	1,030,300	0.05%

Note: This represents the Shares held by Dragon Hill Development Limited ("**Dragon Hill**"), a company wholly-owned by Mr. Lee.

* The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2017 (i.e. 2,050,107,555 Shares).

Save as disclosed above, none of the Directors nor their associates had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2017 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

At no time during the year ended 31 December 2017 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "**CONNECTED TRANSACTIONS**" AND "**CONTINUING CONNECTED TRANSACTIONS**" in this Report of the Directors from pages 63 to 67, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which Director(s) or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Shareholders on 28 May 2012, a share option scheme (the "**Share Option Scheme**") with an expiry date on 27 May 2022 was adopted by the Company.

During the year ended 31 December 2017 and up to date of this annual report, there was no share option granted, outstanding, exercised, lapsed, re-classified and cancelled under the Share Option Scheme.

A summary of the Share Option Scheme of the Company 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

151,799,297 ordinary Shares, being 10% of the total issued share capital as at the date of refreshment of the limit of the granting of share option as approved by the Shareholders on 5 June 2015, and representing approximately 7.4% of the total issued share capital as at 31 December 2017.

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 the Board.

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

Not applicable.

Amount payable on acceptance

HKD1.00

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

Not applicable.

Basis of determining the exercise price

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

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

(b) the average closing price of the ordinary Share 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 Share Option Scheme will be valid and effective until 27 May 2022, 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 27 May 2022 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.

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 2017, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Names of Shareholder	Capacity	Nature of interest	Number of Shares	Approximate % of the total number of Shares in issue#
Dragon Hill (Note 1)	Beneficial owner	Corporate	281,622,914	13.74%
Mr. Lee	Interest in controlled corporation (Note 1)	Corporate	281,622,914	13.74%
	Beneficial owner (Note 2)	Personal	3,090,900	0.15%
	Interest held by spouse (Note 2)	Family	1,648,480	0.08%
		Sub-total	286,362,294	13.97%
Wuling (Hong Kong) Holdings Limited ("**Wuling HK**") (Notes 3 & 4)	Beneficial owner	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	1,600,275,377	78.06%
Wuling Motors (Hong Kong) Company Limited ("**Wuling Motors**") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	1,600,275,377	78.06%
廣西汽車集團有限公司 Guangxi Automobile (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	1,600,275,377	78.06%

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, UNDERLYING SHARES AND DEBENTURES**".

(2) These represent the Shares held by Mr. Lee and his spouse as beneficial owners, respectively.

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

(4) The unlisted derivatives referred to the 357,142,857 Shares (conversion shares) issuable to Wuling HK upon exercise in full of the conversion rights attaching to the outstanding convertible loan notes issued to Wuling HK amounting to HKD250,000,000, details of which may refer to the above section of "**CONVERTIBLE LOAN NOTES AND CAPITAL INCREASE INTO WULING INDUSTRIAL**" of this annual report on page 57.

\# The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2017 (i.e. 2,050,107,555 Shares).

Other than as disclosed above, as at 31 December 2017, the Company has not been notified of any other relevant interests and short position in the shares and underlying shares 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.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

Mr. Yuan Zhijun, the chairman of the Board and an executive Director, is also a director of SGMW. SGMW, which is the Group's largest customer and largest supplier for the year, is principally engaged in the manufacturing and trading businesses of motor vehicles and engines (the "**Excluded Business**"), which may have direct or indirect competition to the businesses of the Group. Although Mr. Yuan is taken to have competing interests in SGMW by virtue of his common directorships, he currently fulfills his fiduciary duty in order to ensure that he acts 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 Board are satisfied that the Group is capable of carrying its businesses independently of, and at arm's length basis from, the Excluded Businesses.

All Directors, including those interested in the Excluded Business, did and will, as and when required under the Bye-laws, abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he or any of his associates has material interest.

Save as disclosed above, as at the date of this report, none of the Directors or their respective close associates has interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

(1) On 25 January 2017, Wuling Industrial entered into an equipment purchase agreement with Shanghai Yipu Automatic Equipment Co., Ltd ("**Shanghai Yipu**"), which was held as to approximately 40% by Guangxi Automobile pursuant to which Wuling Industrial agreed to purchase and Shanghai Yipu agreed to sell certain automatic welding and assembly production lines and industrial robots at the net consideration of RMB34,829,060 (exclusive of VAT), which details were fully disclosed in the Company's announcement dated 25 January 2017.

On 31 March 2017, Wuling Industrial (as purchaser) and Shanghai Yipu (as vendor) entered into another equipment purchase agreement in relation to the sale and purchase of three new sets of industrial robotic workstation and the employment of certain modification services provided by Shanghai Yipu on certain existing machinery at the net consideration of RMB3,076,923 (exclusive of VAT), which details were fully disclosed in the Company's announcement dated 31 March 2017.

On 22 September 2017, Wuling Industrial (as purchaser) and Shanghai Yipu (as vendor) entered into another two equipment purchase agreements in relation to the sale and purchase of an industrial robotic workstation at the net consideration of RMB1,239,316 (exclusive of VAT) and two production-lines and an industrial robotic workstation at the net consideration of RMB23,589,744 (exclusive of VAT), which details were fully disclosed in the Company's announcement dated 22 September 2017 and the Company's circular dated 1 November 2017.

On 13 October 2017, Wuling Industrial (as purchaser) and Shanghai Yipu (as vendor) entered into another equipment purchase agreement in relation to an automatic production-line at the net consideration of RMB13,547,000 (exclusive of VAT), which details were fully disclosed in the Company's announcement dated 13 October 2017 and the Company's circular dated 1 November 2017.

REPORT OF THE DIRECTORS

Pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules, the above transactions entered into between Wuling Industrial and Shanghai Yipu which took place within a 12-month period were considered and aggregated as one transaction (which amounted to a total net consideration of RMB76,282,043 (exclusive of VAT)) for the purpose of computing the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in applying the relevant reporting and shareholders' approval requirements. Accordingly, the respective equipment purchase agreements entered into between Wuling Industrial and Shanghai Yipu on 22 September 2017 and 13 October 2017 constituted connected transactions, on an aggregate basis, which required the reporting, announcement and the independent Shareholders' approval requirements under the Listing Rules, of which the respective independent Shareholders' approvals were obtained in the special general meeting of the Company held on 23 November 2017.

Shanghai Yipu is held as to approximately 40% by Guangxi Automobile, while Guangxi Automobile is the ultimate controlling Shareholder. In this regard, Shanghai Yipu is a connected person of the Company under Rule 14A.07 of the Listing Rules. The transactions contemplated under all the abovementioned agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

(2) On 18 August 2017, Wuling Industrial entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Guangxi Automobile and Wuling Motors pursuant to which Wuling Industrial conditionally agreed to acquire 50.7% and 49.3% of equity interest in 青島五菱汽車科技有限公司 Qingdao Wuling Automobile Technology Limited* ("**Qingdao Wuling**") from Guangxi Automobile and Wuling Motors at a consideration of RMB71,857,500 and RMB69,873,200. The principal assets of the Qingdao Wuling comprised properties located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC* (中國青島市黃島區江山路西松花江路南側) which was currently leased by the Shandong branch of Wuling Industrial as offices and production plants, cash and bank balances and certain receivable balances from Guangxi Automobile, which would be fully settled upon completion of the Equity Transfer Agreement. Details of Equity Transfer Agreement were disclosed in the Company's announcement dated 18 August 2017 and the Company's circular dated 30 September 2017.

Pursuant to the Listing Rules, the Equity Transfer Agreement constituted connected transaction which required the reporting, announcement and the independent Shareholders' approval requirements, of which the independent Shareholders' approvals were obtained in the special general meeting of the Company held on 26 October 2017.

Completion of the Equity Transfer Agreement were taken place on 1 January 2018.

Guangxi Automobile currently owns the entire issued share capital of Wuling Motors, which, through Wuling HK is the controlling Shareholder of the Company. Furthermore, Guangxi Automobile directly holds over 30% of equity interest in Wuling Industrial. Accordingly, Guangxi Automobile, Wuling Motors and Wuling Industrial are connected persons of the Company under Rule 14A.07 of the Listing Rules. The acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(3) On 13 September 2017, Wuling Industrial and Guangxi Automobile entered into two compensation agreements, pursuant to which and among other things, Wuling Industrial agreed to demolish and vacate the properties and equipment of the welding parts plant and plastic parts plant and the punching workshop situated at No. 6 and No. 13 Xihuan Road, Liuzhou, Guangxi Zhuang Autonomous Region of the PRC to facilitate the surrender of such pieces of land to the Liuzhou Municipal Government by Guangxi Automobile, whereas, Guangxi Automobile agreed to compensate Wuling Industrial for (i) the related costs and losses incurred in the relocation in the total amount of RMB41,014,608; and (ii) the reconstruction costs for the punching workshop in the amount of RMB7,820,000, which details were fully disclosed in the Company's announcement dated 13 September 2017.

* For identification purpose only

Guangxi Automobile is the ultimate controlling Shareholder. Furthermore, Guangxi Automobile directly holds over 30% equity interest in Wuling Industrial. In this regard, Guangxi Automobile is a connected person of the Company under Rule 14A.07 of the Listing Rules. The abovementioned agreements and compensations contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Mr. Yuan Zhijun, chairman of the Board and an executive Director, Mr. Zhong Xianhua and Mr. Yang Jianyong, both of them executive Directors, being the directors and/or senior executives of Guangxi Automobile, the ultimate controlling Shareholder, had abstained from voting on the Board resolutions in relation to the above connected transactions.

CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the business and operation of Wuling Industrial and its subsidiaries (collectively as the "**Wuling Industrial Group**"), Wuling Industrial entered into the following agreements with Guangxi Automobile and/or its associates (the "**Guangxi Automobile Group**"), which are in effect during and/or subsequent to the year:

(1) A master agreement entered into between Wuling Industrial and Guangxi Automobile on 16 November 2016 in relation to the Sale Transactions (as defined below) and the Purchase Transactions (as defined below) for a term of three years from 1 January 2017 to 31 December 2019 (the "**2017-2019 Master Agreement**") to govern, renew and cover various continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile Group of similar nature. Details of 2017-2019 Master Agreement were disclosed in the Company's announcement dated 16 November 2016 and the Company's circular dated 15 December 2016.

Pursuant to the 2017-2019 Master Agreement, Wuling Industrial Group agreed to supply, inter alia, certain raw materials (including but not limited to steel), consumables and materials, finished products and semi-finished products (including but not limited to automotive parts and accessories) to Guangxi Automobile Group (collectively the **"Sale Transactions"**), whereas, Guangxi Automobile Group agreed to supply, inter alia, consumables and materials, finished products and semi-finished product (including but not limited to passenger mini-buses, automotive components, mould parts and accessories, and automotive air-conditioners related parts and accessories) to Wuling Industrial Group (collectively the "**Purchase Transactions**").

The proposed annual caps of the Sale Transactions for each of the three years ending 31 December 2017, 2018 and 2019 are RMB432,000,000, RMB534,000,000 and RMB644,000,000 respectively and the proposed annual caps of the Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 are RMB595,700,000, RMB772,200,000 and RMB872,700,000 respectively. These proposed annual caps were amended by the Supplemental Agreements (as defined in item (3) below) as detailed below.

(2) Under the 2017-2019 Master Agreement, the provision of power supply services by Wuling Industrial Group to Guangling, ("**GL Power Supply Services**") which was 50.1% beneficially owned by Guangxi Automobile, were also renewed for a term of three years commencing from 1 January 2017 to 31 December 2019 at the annual caps of RMB6,000,000, RMB6,500,000 and RMB6,500,000 for the each of the three years ending 31 December 2017, 2018 and 2019 respectively. Details of the GL Power Supply Services were disclosed in the Company's announcement dated 24 November 2016.

The actual amount of GL Power Supply Services entered into by the related parties for the year ended 31 December 2017 were RMB4,192,000, which were within the annual cap.

* For identification purpose only

(3) Due to an extension in the scope of products and services to be covered and the increases in the projected volume of transactions of the Sale Transactions and the Purchase Transactions under the 2017-2019 Master Agreement, Wuling Industrial and Guangxi Automobile entered into two supplemental agreements to the 2017-2019 Master Agreement respectively on 28 April 2017 and 17 May 2017 ("**Supplemental Agreements**") to amend certain terms of the 2017-2019 Master Agreement so as to extend the scope of products and services to be covered and to revise the annual caps of the Sale Transactions and Purchase Transactions under the 2017-2019 Master Agreement. Details of Supplemental Agreements were disclosed in the Company's announcements dated 28 April 2017 and 17 May 2017 and the Company's circular dated 13 June 2017.

Accordingly, the proposed annual caps of the Sale Transactions for each of the three years ending 31 December 2017, 2018 and 2019 were revised to RMB530,000,000, RMB635,000,000 and RMB745,000,000 respectively and the proposed annual caps of the Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 were revised to RMB655,000,000, RMB844,000,000 and RMB941,000,000 respectively.

The actual amount of Sale Transactions and Purchase Transactions entered into by the related parties for the year ended 31 December 2017 were RMB352,454,000 and RMB343,949,000 respectively, which were within the annual caps.

(4) Under the Supplemental Agreements, Wuling Industrial Group would also provide production outsourcing services to Guangling ("**Outsourcing Services**") for the year ending 31 December 2017 at the annual cap of RMB13,000,000. Details of the Outsourcing Services were disclosed in the Company's announcement dated 28 April 2017.

The actual amount of Outsourcing Services entered into by the related parties for the year ended 31 December 2017 were RMB12,480,000, which were within the annual cap.

(5) A master tenancy agreement entered into between Wuling Industrial (as tenant) and Guangxi Automobile (as landlord) on 28 December 2015 in relation to the leasing of the Leased Properties (as defined below) for a term of three years from 1 January 2016 to 31 December 2018 (the "**2016-2018 Master Tenancy Agreement**") to govern, renew and cover various continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group of similar nature. The initial subject properties leased by the Wuling Industrial Group from the Guangxi Automobile Group under the 2016-2018 Master Tenancy Agreement included: (a) a parcel of land and buildings, constructed thereon, located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC* (中國青島市黃島區江山路西松花江路南側) (the "**Qingdao Leased Properties**"); and (b) nine parcels of land and 49 buildings, located in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, with a total site area of land and a total floor area of buildings of approximately 626,139 square meters and 146,878 square meters respectively (the "**Liuzhou Leased Properties**") (collectively with the Qingdao Leased Properties, the "**Leased Properties**"). The Leased Properties were then used by Wuling Industrial Group as offices and production plants and the Wuling Industrial Group continues to use the Leased Properties for such purposes under the 2016-2018 Master Tenancy Agreement. The annual rental payable and the annual cap for the Leased Properties under the 2016-2018 Master Tenancy Agreement for each of the three years ending 31 December 2018 shall be RMB36,655,450 and RMB37,000,000 respectively. Details of 2016-2018 Master Tenancy Agreement were disclosed in the Company's announcement dated 28 December 2015.

The actual amount of rental expenses paid by Wuling Industrial Group to the related parties were RMB33,557,000 for the year ended 31 December 2017, which were within the annual cap.

The respective lease relating to the Qingdao Leased Properties was terminated on 31 December 2017 upon completion of the Equity Transfer Agreement as mentioned under item (2) of "**CONNECTED TRANSACTIONS**" above.

* For identification purpose only

Guangxi Automobile is the ultimate controlling Shareholder. Thus Guangxi Automobile is regarded as a connected person of the Company under Rule 14A.07 of the Listing Rules and therefore the transactions contemplated under all the abovementioned agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Yuan Zhijun, chairman of the Board and an executive Director, Mr. Zhong Xianhua and Mr. Yang Jianyong, both of them executive Directors, being the directors and/or senior executives of Guangxi Automobile, the ultimate controlling Shareholder, had abstained from voting on the Board resolutions in relation to the above continuing connected transactions.

The respective independent Shareholders' approvals were obtained in the special general meetings of the Company held on 6 January 2017 for the 2017-2019 Master Agreement (item 1 above) and 30 June 2017 for the Supplemental Agreements (item 3 above) respectively. The remaining continuing connected transactions (items 2, 4 and 5) were exempted from the approval of independent Shareholders under Chapter 14A of the Listing Rules.

The aggregate amounts of the abovementioned continuing connected transactions for the year ended 31 December 2017 are set out in note 39 to the consolidated financial statements of this annual report.

Pursuant to rule 14A.56 of the Listing Rules, the Directors engaged the auditors of the Company to report on the Group's continuing connected transactions 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 and 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 this report in accordance with the requirements of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed all the above continuing connected transactions and confirmed that these transactions entered into by the Group were:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or better; and

(iii) according to the respective agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board review and monitor the Group's policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the financial year ended 31 December 2017, the Company has complied with the requirements under the Listing Rules, the SFO and the Bermuda Companies Act., amended from time to time . Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the "**CORPORATE GOVERNANCE REPORT**" from pages 41 to 54 of this annual report.

REPORT OF THE DIRECTORS

To protect the privacy of its employees and the Shareholders and to safeguard the interests of its employees and the Shareholders, the Group has complied with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Minimum Wage Ordinance and Ordinances relating to disability, sex, family status, race discrimination and occupational safety through established internal policies and/or procedures.

REMUNERATION COMMITTEE

The Remuneration Committee, which has been established in compliance with Rule 3.25 of the Listing Rules, 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, currently comprises three independent non-executive Directors including Mr. Mi Jianguo (chairman of Remuneration Committee, who replaced Mr. Zuo Duofu with effect from 1 September 2017), Mr. Ye Xiang and Mr. Wang Yuben.

AUDIT COMMITTEE

The Audit Committee, which has been established in compliance with the Rule 3.21 of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting system, risk management system and internal control system, currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (chairman of the Audit Committee), Mr. Wang Yuben and Mr. Mi Jianguo (who replaced Mr. Zuo Duofu with effect from 1 September 2017), in which one of them possesses the appropriate professional qualifications or accounting or related financial management expertise.

The audited consolidated financial statements for the year ended 31 December 2017 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee, which has been established in compliance with Sections A5.1 and A5.2 of the Appendix 14 of the Listing Rules, 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-election of the Directors, currently comprises Mr. Yuan Zhijun, Chairman of the Board (Chairman of the Nomination Committee), three independent non-executive Directors including Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo (who replaced Mr. Zuo Duofu with effect from 1 September 2017), as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

The respective terms of reference of these committees amended from time to time, are set out in the websites of the Company (www.wuling.com.hk) and the Stock Exchange (www.hkexnews.hk). A summary of their respective duties and works during the year ended 31 December 2017 is set out in the "**CORPORATE GOVERNANCE REPORT**" from pages 41 to 54 of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's bye-laws, the Directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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 ended 31 December 2017 (2016: Nil).

STAFFS

As at 31 December 2017, the Group had approximately 13,400 employees. Total staff costs for the year ended 31 December 2017 were approximately RMB814,355,000 which details were set out in note 10 to the consolidated financial statements of this annual report.

Salaries of employees and directors are determined with reference to their duties and responsibilities in the Group and are maintained at competitive levels and bonus are granted on a discretionary basis. Other employee benefits include provident fund, insurance medical cover, subsidised educational and training programmes as well as the Share Option Scheme.

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, amended from time to time, The Directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2017.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float, being not less then 25% of the Company's total issued share capital as required under the Listing Rules.

EVENT AFTER THE END OF THE REPORTING PERIOD

Details of a significant event occurring after the reporting date are set out in note 45 to the consolidated financial statements of this annual report.

AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**"), being the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment in the 2018 AGM. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the 2018 AGM.

On behalf of the Board

Yuan Zhijun
Chairman
29 March 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF
WULING MOTORS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Wuling Motors Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 74 to 152, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of trade receivables from third party customers	
We identified the estimated impairment of trade receivables from third party customers as a key audit matter due to the significant degree of management judgment involved in estimating impairment loss on trade receivables from third party customers. As set out in note 5 to the consolidated financial statements, the management estimates impairment of trade receivables from third party customers, based on the aging of these trade receivables balances, the repayment history and the current creditworthiness of each third party customer. As at 31 December 2017, the carrying amount of trade receivables from third party customers was RMB565,952,000 (net of allowance for doubtful debts of RMB42,928,000).	Our procedures in relation to the estimated impairment of trade receivables from third party customers included: • Obtaining an understanding of how the management estimates the impairment of trade receivables; • Checking subsequent settlement of trade receivables to the settlement details on a sample basis; • Verifying the accuracy of the aging analysis for trade receivables as at 31 December 2017; • Assessing the reasonableness of the management's assessment on the impairment loss of trade receivables with reference to the aging of the trade receivables balances, the repayment history and current creditworthiness of these third party customers; and • Evaluating the historical accuracy of the impairment assessment by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	7(a)	**16,123,895**	16,677,695
Cost of sales		**(14,520,226)**	(14,798,190)
Gross profit		**1,603,669**	1,879,505
Other income	7(b)	**141,309**	102,449
Other gains and losses	7(c)	**88,332**	(32,031)
Selling and distribution costs		**(274,075)**	(317,635)
General and administrative expenses		**(855,768)**	(802,397)
Research and development expenses		**(162,230)**	(329,433)
Share of result of an associate	19	**(3,463)**	–
Share of results of joint ventures	20	**(7,336)**	(11,039)
Finance costs	8	**(145,090)**	(89,536)
Profit before taxation		**385,348**	399,883
Income tax expense	9	**(103,564)**	(119,610)
Profit for the year	10	**281,784**	280,273
Other comprehensive (expenses) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(5,641)**	263
Total comprehensive income for the year		**276,143**	280,536
Profit for the year attributable to:			
Owners of the Company		**173,158**	140,462
Non-controlling interests		**108,626**	139,811
		281,784	280,273
Total comprehensive income for the year attributable to:			
Owners of the Company		**167,517**	140,725
Non-controlling interests		**108,626**	139,811
		276,143	280,536
Earnings per share	14		
Basic		**9.42 cents**	7.67 cents
Diluted		**6.19 cents**	7.63 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**2017 RMB'000**	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,143,847**	2,474,743
Prepaid lease payments	16	**297,550**	244,887
Premium on prepaid lease payments	17	**823**	848
Investment properties	18	**9,086**	8,532
Interest in an associate	19	**71,537**	–
Interests in joint ventures	20	**100,660**	103,916
Deposits paid for acquisition of property, plant and equipment		**375,145**	304,944
Available-for-sale investment	21	**10,000**	10,000
		4,008,648	3,147,870
CURRENT ASSETS			
Inventories	22	**1,222,876**	1,468,151
Trade and other receivables	23	**4,196,160**	5,898,441
Prepaid lease payments	16	**7,336**	6,088
Pledged bank deposits	25	**565,840**	302,630
Bank balances and cash	25	**1,706,780**	1,559,741
		7,698,992	9,235,051
CURRENT LIABILITIES			
Trade and other payables	26	**7,955,730**	8,657,663
Provision for warranty	27	**142,704**	162,952
Tax payable		**108,318**	153,553
Bank borrowings	28	**491,576**	55,903
Derivative financial instrument	29	**50,560**	–
Convertible loan notes	29	**23,820**	–
Financial liability at fair value through profit or loss	30	**5,303**	–
Advances drawn on bills receivables discounted with recourse	28	**277,515**	1,177,555
		9,055,526	10,207,626
NET CURRENT LIABILITIES		**(1,356,534)**	(972,575)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,652,114**	2,175,295

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	**2017** **RMB'000**	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	21	**15,339**	16,805
Convertible loan notes	29	**122,857**	–
Deferred tax liabilities	31	**26,058**	23,319
		164,254	40,124
		2,487,860	2,135,171
CAPITAL AND RESERVES			
Share capital	32	**7,366**	6,648
Reserves		**1,435,316**	1,169,497
Equity attributable to owners of the Company		**1,442,682**	1,176,145
Non-controlling interests		**1,045,178**	959,026
		2,487,860	2,135,171

The consolidated financial statements on pages 74 to 152 were approved and authorized for issue by the board of directors on 29 March 2018 and are signed on its behalf by:

Mr. Yuan Zhijun,
CHAIRMAN

Mr. Lee Shing,
VICE-CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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*	The PRC general reserve *RMB'000* (note ii)	Capital reserve *RMB'000* (note iii)	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2016	6,600	331,441	11,295	35,763	17,166	251,102	18,505	369,641	1,041,513	848,147	1,889,660
Profit for the year	–	–	–	–	–	–	–	140,462	140,462	139,811	280,273
Other comprehensive income for the year	–	–	263	–	–	–	–	–	263	–	263
Total comprehensive income for the year	–	–	263	–	–	–	–	140,462	140,725	139,811	280,536
Lapse of share options	–	–	–	–	(14,712)	–	–	14,712	–	–	–
Exercise of share options	48	8,103	–	–	(2,454)	–	–	–	5,697	–	5,697
Dividend paid *(note 13)*	–	–	–	–	–	–	–	(11,790)	(11,790)	–	(11,790)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(28,932)	(28,932)
Transfers	–	–	–	–	–	31,869	–	(31,869)	–	–	–
Subtotal	48	8,103	–	–	(17,166)	31,869	–	(28,947)	(6,093)	(28,932)	(35,025)
At 31 December 2016	6,648	339,544	11,558	35,763	–	282,971	18,505	481,156	1,176,145	959,026	2,135,171
Profit for the year	–	–	–	–	–	–	–	173,158	173,158	108,626	281,784
Other comprehensive expenses for the year	–	–	(5,641)	–	–	–	–	–	(5,641)	–	(5,641)
Total comprehensive (expenses) income for the year	–	–	(5,641)	–	–	–	–	173,158	167,517	108,626	276,143
Conversion of convertible loan notes	718	117,950	–	–	–	–	–	–	118,668	–	118,668
Dividend paid *(note 13)*	–	–	–	–	–	–	–	(19,648)	(19,648)	–	(19,648)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(22,474)	(22,474)
Transfers	–	–	–	–	–	52,423	–	(52,423)	–	–	–
Subtotal	718	117,950	–	–	–	52,423	–	(72,071)	99,020	(22,474)	76,546
At 31 December 2017	7,366	457,494	5,917	35,763	–	335,394	18,505	582,243	1,442,682	1,045,178	2,487,860

notes:

(i) The Group's (as defined in note 1) contributed surplus represents (a) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganization on 30 October 1992, over the nominal value of the Company's (as defined in note 1) shares issued in exchange therefore; (b) the transfer of the credit arising from a capital reduction on 19 June 2006; and (c) 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 the PRC general reserve, with certain PRC subsidiaries may stop such transfer when the reserve balance reaches 50% of their registered capital. The transfer to the 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 Guangxi Automobile Holdings Limited ("Guangxi Automobile"), which is the ultimate holding company of the Company by virtue of its 100% equity interest in Wuling (Hong Kong) Holdings Limited ("Wuling HK").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before taxation	**385,348**	399,883
Adjustments for:		
Allowance for inventories	**11,137**	5,267
Amortization of deferred income	**(1,466)**	(1,467)
Bank interest income	**(40,426)**	(45,969)
Depreciation of property, plant and equipment	**73,851**	62,428
Foreign exchange gain, net	**(17,056)**	–
Finance costs	**145,090**	89,536
Fair value change on financial liability at fair value through profit or loss	**5,303**	–
Fair value change on derivative financial instrument	**(46,994)**	–
Loss (gain) on disposal of property, plant and equipment	**8,731**	(6,157)
(Increase) decrease in fair value of investment properties	**(1,193)**	642
Government grants	**(6,742)**	(12,318)
Impairment losses recognized on trade receivables	**7,722**	28,565
Impairment loss reversed in respect of trade receivables	**(44,845)**	(3,740)
Impairment loss on available-for-sale investment	**–**	12,000
Impairment loss on intangible assets	**–**	547
Release of premium on prepaid lease payments	**25**	25
Release of prepaid lease payments	**7,218**	6,074
Share of results of joint ventures	**7,336**	11,039
Share of result of an associate	**3,463**	–
Operating cash flows before movements in working capital	**496,502**	546,355
Decrease in inventories	**385,491**	440,597
Decrease (increase) in trade and other receivables	**834,944**	(617,420)
Increase in bills receivables discounted with recourse *(note)*	**(2,539,811)**	(5,426,735)
(Decrease) increase in trade and other payables	**(753,630)**	259,672
(Decrease) increase in provision for warranty	**(20,248)**	11,599
Cash used in operations	**(1,596,752)**	(4,785,932)
Income tax paid	**(146,060)**	(18,321)
NET CASH USED IN OPERATING ACTIVITIES	**(1,742,812)**	(4,804,253)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(1,117,660)	(1,517,258)
Purchase of property, plant and equipment	(524,891)	(127,679)
Deposits paid for acquisition of property, plant and equipment	(474,220)	(347,111)
Investment in an associate	(75,000)	–
Addition of prepaid lease payments	(61,129)	–
Capital injection in joint ventures	(4,080)	(34,614)
Withdrawal of pledged bank deposits	854,450	1,932,758
Proceeds from disposal of property, plant and equipment	60,086	64,457
Bank interest income received	40,426	45,969
Proceeds from government grants	24,204	39,260
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,277,814)	55,782
FINANCING ACTIVITIES		
Advances drawn on bills receivables *(note)*	2,446,480	5,345,457
Bank borrowings raised	1,228,243	55,000
Proceeds from issue of convertible loan notes	353,760	–
Repayment of bank borrowings	(791,714)	(3,492)
Interest paid	(18,906)	(10,724)
Dividend paid	(19,648)	(11,790)
Dividend paid to non-controlling interests	(22,474)	(28,932)
Repayment to a shareholder	–	(219,922)
Issue of shares upon exercise of share options	–	5,697
NET CASH FROM FINANCING ACTIVITIES	3,175,741	5,131,294
NET INCREASE IN CASH AND CASH EQUIVALENTS	155,115	382,823
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,559,741	1,175,393
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(8,076)	1,525
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	1,706,780	1,559,741

note: An increase in bills receivables discounted with recourse of RMB2,539,811,000 (2016: RMB5,426,735,000) and advance drawn on bills receivables of RMB2,446,480,000 (2016: RMB5,345,457,000) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Wuling Motors Holdings Limited (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"). Its immediate parent is Wuling HK and its ultimate parent is Guangxi Automobile. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the "Group") 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 44.

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceeded its current assets by approximately RMB1,357 million (2016: approximately RMB973 million) as at 31 December 2017. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the available banking facilities for issuance of bills payables and bank borrowings, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

Accordingly, the directors of the Company believe that it is appropriate to prepare the consolidated financial statements on a going concern basis without including any adjustments that would be required should the Group fail to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKAS 40	Transfers of Investment Property[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described below:

- All recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized 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 amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All financial assets are measured at their fair value at subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Equity security classified as available-for-sale investment carried at cost less impairment as disclosed in note 21: the security qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure the security at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognized as other comprehensive income and accumulated in the investments revaluation reserve. The directors of the Company anticipate that upon initial application of HKFRS 9, the security might have fair value adjustment that would be adjusted to investments revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments" (continued)

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost upon application of HKFRS 9 by the Group, however, the directors of the Company do not anticipate that the application of HKFRS 9 will have a material impact on the accumulated amount of impairment loss to be recognized by the Group.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Currently under HKAS 18, the Group recognizes revenue from sales of goods when the goods are delivered and titles have been passed to the customer and the significant risks and rewards of ownership of the goods have been transferred to the customer.

Under HKFRS 15, the Group has assessed whether the revenue will be recognized overtime or at a point in time for those manufactured products with no alternative use to the Group, the revenue for such products will be recognized over time if the Group has an enforceable right to payment for performance completed to date or otherwise at a point in time upon customers obtaining control of the relevant products.

The directors of the Company are still in the process of assessing the full impact of the application of HKFRS 15, which may potentially affect the timing of revenue recognition.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB47,824,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Other than the above, the directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

4. 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 investment properties and financial instruments that are measured at fair values at the end of the reporting period, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not longer than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in an associate and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture 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) until disposal of the relevant associate or joint venture.

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

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 is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and the titles have passed.

Service income is recognized when services are provided.

Interest income 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 from investments is recognized when the shareholders' rights to receive payment have been established.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, 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.

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 the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4. 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 carry amount of leased assets.

The Group as lessee

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 the Group makes payments for a property interest which includes both leasehold 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 entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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.

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 recognized 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 retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 translation of monetary items, are recognized in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 (that is, 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.

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

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 on a systematic and rational basis 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 and termination benefits

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.

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associate and interests in joint ventures 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 and interests 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 realized, 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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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).

Internally-generated intangible assets — 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.

Inventories

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

4. 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale ("AFS") 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 amortized cost of a debt instrument 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 debt instrument, 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.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

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 trade and other receivables, bills receivables discounted with recourse, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets 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 AFS equity investments, a significant or prolonged decline in the fair value of the security 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-organization.

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 90 days to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized 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 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 receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized 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 amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt 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.

Effective interest method

The effective interest method is a method of calculating the amortized 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.

Financial liabilities at amortized cost

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

Convertible loan notes

A 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 Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognized at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortized cost using the effective interest method. The derivative component 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 debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortized over the period of the convertible loan notes using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are 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 unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivative

Derivative embedded in non-derivative host contract is treated as separate derivative when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through 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.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured 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 amortization recognized in accordance with the revenue recognition policies.

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 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 collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) 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.

The amount recognized as a provision is the 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).

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the 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.

When the 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.

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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 (or a cash-generating unit) 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 immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make 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.

Estimated impairment of trade receivables from third party customers

The assessment of the impairment loss on trade receivables arise from third party customers of the Group is based on the evaluation of collectability based on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the aging of the trade receivables balances, the repayment history and the current creditworthiness of each third party customer. Impairment is made based on the estimation of the future cash flows expected to be received.

As at 31 December 2017, the carrying amount of trade receivable from third party customers was RMB565,952,000 (net of allowance for doubtful debts of RMB42,928,000) (2016: RMB453,270,000 (net of allowance for doubtful debts of RMB81,485,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 the residual value and the useful lives of the property, plant and equipment annually. If the expectation differs from the original estimate, such difference will impact the depreciation charged in the year in which such estimate is changed.

As at 31 December 2017, the carrying amount of property, plant and equipment was RMB3,143,847,000 (2016: RMB2,474,743,000).

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 27, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by the management. If the costs are settled for an amount greater than the management's estimation, a future charge to profit or loss will result. Likewise, if the costs are settled for an amount that is less that the estimation, a future credit to profit or loss will result.

As at 31 December 2017, the carrying amount of provision for warranty was RMB142,704,000 (2016: RMB162,952,000).

6. 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 organized. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- Engines and related parts — Manufacture and sale of engines and related parts
- Automotive components and other industrial services — Manufacture and sale of automotive components and accessories, trading of raw materials (mainly metals and other consumables), and provision of water and power supply services
- Specialized vehicles — Manufacture and sale of specialized vehicles
- Others — Property investment and others

6. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31 December 2017

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue						
External sales	2,268,200	11,022,262	2,833,277	156	–	16,123,895
Inter-segment sales	70,530	8,717	11	–	(79,258)	–
Total	2,338,730	11,030,979	2,833,288	156	(79,258)	16,123,895
Segment profit (loss)	148,872	331,769	35,216	(11,132)		504,725
Bank interest income						40,426
Change in fair value of derivative financial instrument						46,994
Change in fair value of financial liability at fair value through profit or loss						(5,303)
Central administrative costs						(45,605)
Share of result of an associate						(3,463)
Share of results of joint ventures						(7,336)
Finance costs						(145,090)
Profit before taxation						385,348

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2016

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	3,869,040	10,542,987	2,265,526	142	–	16,677,695
Inter-segment sales	59,060	5,361	–	–	(64,421)	–
Total	3,928,100	10,548,348	2,265,526	142	(64,421)	16,677,695
Segment profit (loss)	160,992	326,320	33,290	(12,284)		508,318
Bank interest income						45,969
Impairment loss on available-for-sale investment						(12,000)
Impairment loss on intangible assets						(547)
Central administrative costs						(41,282)
Share of results of joint ventures						(11,039)
Finance costs						(89,536)
Profit before taxation						399,883

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/loss represents the profit earned by/loss incurred by each segment without the allocation of central administrative costs, change in fair value of derivative financial instrument, change in fair value of financial liability at fair value through profit or loss, bank interest income, impairment loss on available-for-sale investment, impairment loss on intangible assets, share of result of an associate, share of results of joint ventures 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.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 December 2017

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Assets					
Segment assets	1,519,660	5,990,403	1,727,201	15,559	9,252,823
Interests in joint ventures					100,660
Interest in an associate					71,537
Available-for-sale investment					10,000
Pledged bank deposits					565,840
Bank balances and cash					1,706,780
Consolidated assets					11,707,640
Liabilities					
Segment liabilities	1,212,620	5,636,337	1,538,601	3,730	8,391,288
Bank borrowings					491,576
Convertible loan notes					146,677
Financial liability at fair value through profit or loss					5,303
Derivative financial instrument					50,560
Tax payable					108,318
Deferred tax liabilities					26,058
Consolidated liabilities					9,219,780

At 31 December 2016

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Assets					
Segment assets	2,927,233	5,702,334	1,758,729	18,338	10,406,634
Interests in joint ventures					103,916
Available-for-sale investment					10,000
Pledged bank deposits					302,630
Bank balances and cash					1,559,741
Consolidated assets					12,382,921
Liabilities					
Segment liabilities	2,584,599	5,674,485	1,750,410	5,481	10,014,975
Bank borrowings					55,903
Tax payable					153,553
Deferred tax liabilities					23,319
Consolidated liabilities					10,247,750

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

The assets of the Group are allocated based on the operations of the segments. However, interests in joint ventures, interest in an associate, available-for-sale investment, pledged bank deposits and bank balances and cash are not allocated to the segments.

The liabilities of the Group are allocated based on the operations of the segments. However, convertible loan notes, financial liability at fair value through profit or loss, derivative financial instrument, bank borrowings, tax payable and deferred tax liabilities are not allocated to the segments.

Other segment information

For the year ended 31 December 2017

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	123,959	883,402	87,114	–	1,094,475
Depreciation of property, plant and equipment	26,259	45,138	2,379	75	73,851
Release of prepaid lease payments	866	6,352	–	–	7,218
Release of premium on prepaid lease payments	–	25	–	–	25
Loss on disposal of property, plant and equipment	3,719	5,007	5	–	8,731
Allowance for inventories	4,815	6,286	36	–	11,137
Impairment loss reversed in respect of trade receivables	(43,752)	(1,093)	–	–	(44,845)
Impairment losses recognized on trade receivables	3,679	4,043	–	–	7,722
Research and development expenses	36,216	93,251	32,763	–	162,230
Increase in fair value of investment properties	–	–	–	(1,193)	(1,193)

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2016

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	46,477	526,819	2,790	–	576,086
Depreciation of property, plant and equipment	22,186	38,136	2,007	99	62,428
Release of prepaid lease payments	866	5,208	–	–	6,074
Release of premium on prepaid lease payments	–	25	–	–	25
Gain on disposal of property, plant and equipment	(7)	(4,736)	(1,414)	–	(6,157)
Allowance for inventories	4,641	626	–	–	5,267
Impairment loss reversed in respect of trade receivables	(3,740)	–	–	–	(3,740)
Impairment losses recognized on trade receivables	17,495	11,070	–	–	28,565
Research and development expenses	27,537	232,511	69,385	–	329,433
Decrease in fair value of investment properties	–	–	–	642	642

Geographical information

(a) Revenue from external customers

The Group's operations are located in the PRC (excluding Hong Kong) and 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.

	2017 RMB'000	2016 RMB'000
The PRC (excluding Hong Kong)	**16,064,079**	16,667,256
Hong Kong	**156**	142
Others	**59,660**	10,297
Consolidated	**16,123,895**	16,677,695

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For the year ended 31 December 2017

6. SEGMENT INFORMATION (continued)

Geographical information

(b) Non-current assets

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

	2017 RMB'000	2016 RMB'000
Hong Kong	**9,187**	8,614
The PRC (excluding Hong Kong)	**3,914,465**	3,077,345
Indonesia	**74,996**	51,911
	3,998,648	3,137,870

Note: Non-current assets excluded financial instruments.

Information about a major customer

Revenue derived from sales to a single customer, which contributed over 10% of the Group's total revenue, in respect of the following operating segments, is as follows:

	2017 RMB'000	2016 RMB'000
Engines and related parts	**1,709,455**	3,188,445
Automotive components and other industrial services	**9,373,779**	9,890,596
Specialized vehicles	**891**	5,932
	11,084,125	13,084,973

7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

(a) An analysis of the Group's revenue is as follows:

	2017 RMB'000	2016 RMB'000
Sales of:		
— Engines	**2,008,120**	3,741,295
— Engines related parts	**260,080**	127,745
— Automotive components and accessories	**9,896,905**	9,610,336
— Specialized vehicles	**2,833,277**	2,265,526
Trading of raw materials	**939,671**	757,442
Provision of water and power supply	**185,686**	175,209
	16,123,739	16,677,553
Gross property rental income from investment properties	**156**	142
	16,123,895	16,677,695

7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES (continued)

(b) Details of other income are as follows:

	2017 RMB'000	2016 RMB'000
Sales of scrap materials and parts	28,780	28,306
Compensation income with respect of plant and reconstruction *(note)*	48,835	–
Bank interest income	40,426	45,969
Service income on repairs and maintenance	4,044	7,106
Machinery and other property rental income	6,545	3,590
Amortization of deferred income	1,466	1,467
Government grants	6,742	12,318
Others	4,471	3,693
	141,309	102,449

note: On 13 September 2017, Wuling Industrial and Guangxi Automobile entered into compensation agreements. Pursuant to the agreements, Wuling Industrial agreed to demolish and vacate the properties and equipment of the welding parts plant and plastic parts plant situated on the lands parcel located at Liuzhou of the PRC to facilitate the surrender of such lands to the municipal government of Liuzhou, Guangxi Zhuang Autonomous Region by Guangxi Automobile, whereas, Guangxi Automobile agreed to compensate Wuling Industrial for (i) the related costs and losses incurred in the relocation in the total amount of approximately RMB41,015,000; and (ii) the reconstruction costs for the punching workshop in the amount of RMB7,820,000. Details of the compensation income were described in the Company's announcement dated 13 September 2017.

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

	2017 RMB'000	2016 RMB'000
Impairment loss reversed in respect of trade receivables	44,845	3,740
Increase (decrease) in fair value of investments properties	1,193	(642)
Fair value change on financial liability at fair value through profit or loss	(5,303)	–
Fair value change on derivative financial instrument	46,994	–
Foreign exchange gain (losses), net	17,056	(174)
(Loss) gain on disposal of property, plant and equipment	(8,731)	6,157
Impairment losses recognized on trade receivables	(7,722)	(28,565)
Impairment loss on available-for-sale investment	–	(12,000)
Impairment loss on intangible assets	–	(547)
	88,332	(32,031)

8. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interests on:		
— bank borrowings	18,906	10,724
— advances drawn on bills receivables *(note)*	97,751	78,812
— effective interest expenses on convertible loan notes *(note 29)*	28,433	–
	145,090	89,536

note: During the year ended 31 December 2017, interest of RMB47,407,000 (2016: RMB26,062,000) was paid to a shareholder in respect of bills discounted to that shareholder. Details of provision of facility are set out in note 39(v).

9. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Tax charge represents:		
The PRC Enterprise Income Tax ("EIT")		
Current	92,811	111,407
Withholding tax on dividend distribution	1,177	298
Underprovision in prior years	6,837	1,525
	100,825	113,230
Deferred tax *(note 31)*		
Current year	2,739	6,380
	103,564	119,610

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 Group's PRC subsidiaries is 25% from 1 January 2008 onwards except that Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors") are approved as enterprises that satisfied as High-New Technology Enterprises and entitled the preferential tax rate of 15% in 2016 and 2017.

The EIT Law also requires withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders.

During the year, deferred tax of RMB4,204,000 (2016: RMB6,243,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss accordingly.

9. INCOME TAX EXPENSE (continued)

Hong Kong

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

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 *RMB'000*	2016 *RMB'000*
Profit before taxation	**385,348**	399,883
Tax at the domestic income tax rate of 25% (2016: 25%) *(Note)*	**96,337**	99,971
Tax effect of share of result of an associate	**866**	–
Tax effect of share of results of joint ventures	**1,834**	2,760
Tax effect of expenses not deductible for tax purposes	**40,907**	30,931
Tax effect of deductible temporary differences not recognized	**–**	7,523
Tax effect of utilization of deductible temporary differences previously not recognized	**(6,496)**	–
Tax effect of income not taxable for tax purposes	**(13,186)**	(2,787)
Tax effect of utilization of tax losses previously not recognized	**(1,398)**	(8,513)
Tax effect of tax losses not recognized	**5,834**	8,993
Tax effect of undistributed profits of the PRC subsidiaries	**4,204**	6,243
Effect of concession tax rates of subsidiaries	**(29,820)**	(28,171)
Effect of different tax rates of subsidiaries	**(2,355)**	1,135
Underprovision in prior years	**6,837**	1,525
Income tax expense for the year	**103,564**	119,610

Note: This represents the applicable domestic income tax for the major operating subsidiaries of the Group.

Details of movements in deferred tax liabilities are set out in note 31.

10. PROFIT FOR THE YEAR

	2017 **RMB'000**	2016 RMB'000
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments *(note 11)*	**2,444**	2,884
Other staff costs:		
Salaries, bonus and other benefits	**754,045**	750,158
Retirement benefit scheme contributions, excluding directors	**57,866**	51,913
Total staff costs	**814,355**	804,955
Less: staff costs (capitalized in inventories)	**392,940**	415,256
Total staff costs (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**421,415**	389,699
Gross property rental income from investment properties, net of negligible outgoings	**(156)**	(142)
Auditor's remuneration	**1,815**	1,586
Cost of inventories recognized as an expense *(note)*	**14,520,226**	14,798,190
Total depreciation of property, plant and equipment	**225,204**	197,891
Less: Amounts capitalized in inventories	**151,353**	135,463
Total depreciation of property, plant and equipment (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**73,851**	62,428
Release of prepaid lease payments (included in general and administrative expenses)	**7,218**	6,074
Release of premium on prepaid lease payments (included in general and administrative expenses)	**25**	25
Transportation costs (included in selling and distribution costs)	**156,190**	163,208

note: Included in arriving at cost of inventories is an amount of RMB11,137,000 recognized as allowance for inventories (2016: RMB5,267,000).

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

		Other emoluments		
	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits schemes *RMB'000*	Total emoluments *RMB'000*
2017				
Yuan Zhijun *(note 6)*	–	–	–	–
Lee Shing *(note 1)*	1,328	422	66	1,816
Zhong Xianhua *(note 6)*	–	–	–	–
Liu Yaling	187	16	–	203
Yang Jianyong *(note 6)*	–	–	–	–
Ye Xiang	176	–	–	176
Wang Yuben	124	–	–	124
Mi Jianguo *(note 2)*	42	–	–	42
Zuo Duofu *(note 3)*	83	–	–	83
	1,940	438	66	2,444
2016				
Yuan Zhijun *(note 4)*	–	–	–	–
Lee Shing *(note 1)*	1,315	410	53	1,778
Zhong Xianhua *(note 7)*	156	–	–	156
Liu Yaling	185	15	–	200
Yang Jianyong *(note 4)*	–	–	–	–
Ye Xiang	175	–	–	175
Wang Yuben	123	–	–	123
Zuo Duofu	123	–	–	123
Wei Hongwen *(notes 5 and 7)*	173	–	–	173
Sun Shaoli *(notes 5 and 7)*	156	–	–	156
	2,406	425	53	2,884

note 1: Mr. Lee Shing ("Mr. Lee") is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as chief executive officer.

note 2: Mr. Mi Jianguo was appointed as an independent non-executive director of the Company with effect from 1 September 2017.

note 3: Mr. Zuo Duofu resigned as an independent non-executive director of the Company with effect from 1 September 2017.

note 4: Mr. Yuan Zhijun and Mr. Yang Jianyong were appointed as executive directors of the Company with effect from 4 November 2016.

note 5: Mr. Wei Hongwen and Mr. Sun Shaoli resigned as executive directors of the Company with effect from 4 November 2016.

note 6: The emoluments (other than the directors' fees) of the directors or former directors who were directors and/or senior management of Guangxi Automobile were paid and borne by Guangxi Automobile.

note 7: The directors' fees of the directors or former directors who were directors and/or senior management of Guaugxi Automobile were subsequently reimbursed to Wuling HK, the wholly-owned subsidiary of Guangxi Automobile and the immediate holding company of the Company.

12. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2016: one) was the director and the chief executive officer of the Company whose emolument is included in the disclosure in note 11 above. The emoluments of the remaining four (2016: four) individuals who were senior management of the Group, are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**4,218**	3,462
Bonus	**133**	132
Contributions to retirement benefits schemes	**221**	214
Total emoluments	**4,572**	3,808

The emoluments of the above highest paid employees who are not the directors of the Company were within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to Hong Kong dollar ("HKD") 500,000	**–**	–
HKD500,001 to HKD1,000,000	**–**	2
HKD1,000,001 to HKD1,500,000	**3**	1
HKD1,500,001 to HKD2,000,000	**1**	1
	4	4

No emoluments were paid by the Group to the directors of the Company or the above individuals 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 2017 and 2016.

(b) Emoluments of senior management

Of the ten (2016: ten) senior management of the Group for the year ended 31 December 2017, four (2016: four) of the senior management are four (2016: four) of the top five highest paid individuals and the respective remuneration has been disclosed in note 12(a) above. The emoluments of the remaining six (2016: six) individuals for the year were within the following bands:

	2017 Number of employees	2016 Number of employees
Nil to HKD500,000	**2**	1
HKD500,001 to HKD1,000,000	**2**	5
HKD1,000,001 to HKD1,500,000	**2**	–
HKD1,500,001 to HKD2,000,000	**–**	–
	6	6

13. DIVIDEND

	2017 RMB'000	2016 RMB'000
Dividends recognized as distribution during the year:		
2016 Final dividend of HKD1.25 cents (2016: 2015 final dividend of HKD0.75 cents) per share	19,648	11,790

Subsequent to the end of the reporting period, a final dividend of HKD1.25 cents per share amounting to approximately HKD25,626,000 (or equivalent to RMB21,342,000) in respect of the year ended 31 December 2017 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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:

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	173,158	140,462
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	28,433	–
Fair value change on derivative financial instrument	(46,994)	–
Exchange gain on convertible loan notes and derivative financial instrument	(19,294)	–
Earnings for the purpose of diluted earnings per share	135,303	140,462

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,837,583	1,830,280
Effect of dilutive potential ordinary shares:		
— Convertible loan notes	347,358	–
— Share options	–	10,172
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,184,941	1,840,452

15. PROPERTY, PLANT AND EQUIPMENT

	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 2016	708,087	377	1,493,190	220,055	82,678	33,064	385,533	2,922,984
Exchange adjustments	–	26	–	17	–	–	–	43
Additions	10,445	–	17,623	14,303	6,022	4,458	523,235	576,086
Disposals	(8,404)	–	(84,945)	(19,099)	(153)	(835)	–	(113,436)
Transfer	102,076	–	224,970	49,792	20,886	1,701	(399,425)	–
At 31 December 2016	812,204	403	1,650,838	265,068	109,433	38,388	509,343	3,385,677
Exchange adjustments	–	(28)	–	(18)	–	–	–	(46)
Additions	62,497	–	143,614	101,194	2,606	2,338	650,896	963,145
Disposals	(15,008)	–	(167,405)	(14,374)	(9,683)	(3,342)	–	(209,812)
Transfer	103,903	–	102,206	74,881	–	4,462	(285,452)	–
At 31 December 2017	963,596	375	1,729,253	426,751	102,356	41,846	874,787	4,138,964
ACCUMULATED DEPRECIATION								
At 1 January 2016	111,759	251	530,868	84,440	21,461	19,367	–	768,146
Exchange adjustments	–	21	–	12	–	–	–	33
Provided for the year	43,604	77	114,780	23,994	9,354	6,082	–	197,891
Eliminated on disposals	(2,088)	–	(40,543)	(11,571)	(141)	(793)	–	(55,136)
At 31 December 2016	153,275	349	605,105	96,875	30,674	24,656	–	910,934
Exchange adjustments	–	(26)	–	–	–	–	–	(26)
Provided for the year	47,162	52	139,429	26,129	8,204	4,228	–	225,204
Eliminated on disposals	(10,683)	–	(106,766)	(11,570)	(8,826)	(3,150)	–	(140,995)
At 31 December 2017	189,754	375	637,768	111,434	30,052	25,734	–	995,117
CARRYING VALUE								
At 31 December 2017	773,842	–	1,091,485	315,317	72,304	16,112	874,787	3,143,847
At 31 December 2016	658,929	54	1,045,733	168,193	78,759	13,732	509,343	2,474,743

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:

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%

During the year ended 31 December 2017, the Group received government subsidy of RMB17,462,000 (2016: RMB26,942,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

16. PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
At 1 January	**250,975**	257,049
Additions	**61,129**	–
Released to profit or loss	**(7,218)**	(6,074)
At 31 December	**304,886**	250,975
Analyzed as:		
Current portion	**7,336**	6,088
Non-current portion	**297,550**	244,887
	304,886	250,975

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.

17. PREMIUM ON PREPAID LEASE PAYMENTS

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

18. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
FAIR VALUE		
At 1 January	**8,532**	8,610
Exchange realignment	**(639)**	564
Increase (decrease) in fair value recognized in profit or loss	**1,193**	(642)
At 31 December	**9,086**	8,532

notes:

(i) 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 held under medium-term lease.

(ii) The fair value of the Group's investment properties as at 31 December 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected to the Group.

The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the two investment properties was the price per square feet, which ranged from RMB4,563 to RMB5,265 and RMB1,996 to RMB2,472 (2016: RMB3,771 to RMB4,581 and RMB1,790 to RMB1,976), respectively. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment property and vice versa.

The fair value hierarchy of the Group's investment properties as at 31 December 2017 are categorized as level 3.

There were no transfers into or out of Level 3 during the year.

19. INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Cost of unlisted investment in an associate	75,000	–
Share of post-acquisition loss and other comprehensive expenses	(3,463)	–
	71,537	–

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2017	2016	2017	2016	
佛吉亞（柳州）汽車座椅有限公司 Faurecia (Liuzhou) Automotive Seating Co., Limited ("Faurecia Liuzhou Seating Co.")	The PRC	50%	N/A	42.86%	N/A	Manufacture and sale of accessories of motor vehicles

19. INTEREST IN AN ASSOCIATE (continued)

Summarized financial information of the Group's associate

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	2017 Faurecia Liuzhou Seating Co. *RMB'000*
Financial information of consolidated statement of profit or loss and other comprehensive income	
Revenue	–
Loss for the year	(6,926)
Total comprehensive expense for the year	(6,926)
Loss for the year, attributable to the Group	(3,463)
Total comprehensive expense for the year, attributable to the Group	(3,463)
Dividends received from associate during the year	–
Financial information of consolidated statement of financial position	
Non-current assets	45,259
Current assets	107,024
Current liabilities	(9,210)
Net assets of the associate	143,073
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	107,024
Current financial liabilities (excluding trade and other payables and provisions)	–
Reconciliation to the carrying amount of interest in the associate:	
Net assets attributable to the equity holders of the associate	143,073
Proportion of the Group's ownership interest in the associate	50%
Net assets of interest in the associate attributable to the Group	71,537
Carrying amount of the Group's interest in the associate	71,537

20. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of unlisted investments in joint ventures	149,184	145,104
Share of post-acquisition loss and other comprehensive expenses	(32,300)	(24,964)
Impairment loss	(16,224)	(16,224)
	100,660	103,916

Details of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group 2017	Proportion of ownership interest held by the Group 2016	Proportion of voting rights held by the Group 2017	Proportion of voting rights held by the Group 2016	Principal activities
Qingdao Dianshi Motor Accessories Company Limited ("Qingdao Dianshi")	The PRC	51% *(note)*	51% *(note)*	51%	51%	Manufacture of automotive accessories
Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang")	The PRC	50%	50%	50%	50%	Manufacture of automotive accessories
Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte")	The PRC	51% *(note)*	51% *(note)*	51%	51%	Manufacture of engines
柳州五達汽車部件有限公司 ("柳州五達")	The PRC	51% *(note)*	51% *(note)*	51%	51%	Manufacture of automotive accessories

note: The joint ventures are jointly controlled by the Group and other shareholders by virtue of contractual arrangements among shareholders which requires two-third shareholders' approval for major business decisions. Therefore, they are classified as joint ventures of the Group.

20. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of material joint ventures

Summarized financial information in respect of the Group's material joint ventures is set out below. The summarized financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

	2017					2016				
	Qingdao Dianshi *RMB'000*	Guangxi Weixiang *RMB'000*	Liuzhou Lingte *RMB'000*	柳州五達 *RMB'000*	Total *RMB'000*	Qingdao Dianshi *RMB'000*	Guangxi Weixiang *RMB'000*	Liuzhou Lingte *RMB'000*	柳州五達 *RMB'000*	Total *RMB'000*
Financial information of consolidated statement of profit or loss and other comprehensive income										
Revenue	156,992	357,522	1,595	9,301	525,410	123,613	191,065	–	1,759	316,437
Profit (loss) for the year	301	(1,377)	(13,337)	–	(14,413)	1,398	(11,948)	(8,949)	(2,380)	(21,879)
Total comprehensive income (expense) for the year	301	(1,377)	(13,337)	–	(14,413)	1,398	(11,948)	(8,949)	(2,380)	(21,879)
Profit (loss) for the year, attributable to the Group	154	(688)	(6,802)	–	(7,336)	713	(5,974)	(4,564)	(1,214)	(11,039)
Total comprehensive income (expense) for the year, attributable to the Group	154	(688)	(6,802)	–	(7,336)	713	(5,974)	(4,564)	(1,214)	(11,039)
Dividends received from joint ventures during the year	–	–	–	–	–	–	–	–	–	–
The above financial information include the following:										
Depreciation and amortization	(4,693)	(1,806)	(319)	(455)	(7,273)	(5,170)	(1,602)	(40)	(610)	(7,422)
Interest income	–	159	289	36	484	–	65	304	64	433
Income tax expense	(399)	–	–	–	(399)	(627)	–	–	–	(627)

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20. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of material joint ventures (continued)

	2017					2016				
	Qingdao Dianshi RMB'000	Guangxi Weixiang RMB'000	Liuzhou Lingte RMB'000	柳州五達 RMB'000	Total RMB'000	Qingdao Dianshi RMB'000	Guangxi Weixiang RMB'000	Liuzhou Lingte RMB'000	柳州五達 RMB'000	Total RMB'000
Financial information of consolidated statement of financial position										
Non-current assets	11,326	12,108	205,118	4,091	232,643	16,375	9,110	175,977	3,818	205,280
Current assets	46,417	225,058	20,020	17,559	309,054	39,040	139,365	44,866	6,797	230,068
Current liabilities	(46,403)	(210,787)	(20,034)	(4,525)	(281,749)	(44,376)	(120,719)	(2,402)	(1,490)	(168,987)
Net assets of the joint ventures	11,340	26,379	205,104	17,125	259,948	11,039	27,756	218,441	9,125	266,361
The above amounts of assets and liabilities include the following:										
Cash and cash equivalents	744	6,547	14,268	2,604	24,163	1,510	6,657	40,215	3,688	52,070
Current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	–	(474)	–	–	–	(474)
Reconciliation to the carrying amounts of interests in the joint ventures:										
Net assets attributable to the equity holders of the joint ventures	11,340	26,379	205,104	17,125	259,948	11,039	27,756	218,441	9,125	266,361
Less: Capital reserve not shared by the Group	–	–	(46,372)	–	(46,372)	–	–	(46,372)	–	(46,372)
Proportion of the Group's ownership interests in the joint ventures	51%	50%	51%	51%	varies	51%	50%	51%	51%	varies
Net assets of interests in joint ventures attributable to the Group	5,783	13,190	80,953	8,734	108,660	5,630	13,878	87,755	4,653	111,916
Goodwill	8,224	–	–	–	8,224	8,224	–	–	–	8,224
Impairment losses on interests in joint ventures	(8,224)	(8,000)	–	–	(16,224)	(8,224)	(8,000)	–	–	(16,224)
Carrying amounts of the Group's interests in the joint ventures	5,783	5,190	80,953	8,734	100,660	5,630	5,878	87,755	4,653	103,916

21. DEFERRED INCOME/AVAILABLE-FOR-SALE INVESTMENT

On 18 May 2013, the Group entered into an agreement with 福建新龍馬發動機有限公司 ("New Long Ma"), an independent third party, to grant New Long Ma a right to access certain technology knowhow of the Group in a specific region for 15 years at a consideration of RMB22,000,000. The Group concurrently agreed to use the fund received from New Long Ma to acquire 1.83% equity interest in New Long Ma from 龍岩市龍馬汽車工業有限公司, the holding company of New Long Ma at a consideration of RMB22,000,000. As at 31 December 2013, the deposit of RMB22,000,000 paid for the acquisition of the 1.83% equity interest in New Long Ma was recognized as a non-current asset and the consideration received in respect of the access right to the technology knowhow was recognized as a deferred income and amortized over 15 years.

During the year ended 31 December 2014, the Group has obtained the ownership of 1.83% equity interest in New Long Ma and is classified as available-for-sale investment. It is 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 the fair value cannot be measured reliably.

During the year ended 31 December 2016, upon completion of a restructuring exercise of New Long Ma, the Group's equity interest in New Long Ma has decreased to 1.47%. In addition, New Long Ma suffered loss during the year ended 31 December 2016 and the directors of the Company considered a decline in the fair value of the Group's equity interest in New Long Ma is expected. Accordingly, an impairment loss of RMB12,000,000 was recognized in profit or loss during the year ended 31 December 2016.

22. INVENTORIES

	2017 ***RMB'000***	2016 *RMB'000*
Raw materials	**472,676**	273,034
Work in progress	**194,029**	202,817
Finished goods	**556,171**	992,300
	1,222,876	1,468,151

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23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(i) Trade and other receivables

	Notes	2017 RMB'000	2016 RMB'000
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**1,710,905**	3,269,474
— Guangxi Automobile Group	*(b)*	**24,982**	54,357
— Guangxi Weixiang		**91**	3,177
— Qingdao Dianshi		**177**	–
— third parties		**1,452,958**	891,915
		3,189,113	4,218,923
Less: Allowance for doubtful debts		**(42,928)**	(81,485)
		3,146,185	4,137,438
Other receivables:			
Prepayments for expenses		**3,842**	–
Prepayments for purchase of raw materials	*(c)*	**604,342**	331,374
Value-added tax recoverable		**56,630**	153,826
Others		**104,261**	90,443
		769,075	575,643
Bills receivables discounted with recourse *(note 23(ii))*		**280,900**	1,185,360
Total trade and other receivables		**4,196,160**	5,898,441

notes:

(a) Guangxi Automobile has significant influence over SGMW.

(b) Being Guangxi Automobile and its subsidiaries and associates other than the Group and SGMW (collectively referred to as the "Guangxi Automobile Group").

(c) Included in the balance was an amount of RMB256,574,000 (2016: RMB22,558,000) paid to SGMW.

The Group allows an average credit period of 90 days to 180 days for sales of goods to its trade customers.

23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(i) Trade and other receivables (continued)

Included in the trade and other receivables are trade and bills receivables of RMB3,146,185,000 (2016: RMB4,137,438,000) and an aged analysis of trade receivables (net of allowance for doubtful debts) and bills receivables presented based on the invoice date is as follows:

	2017 *RMB'000*	2016 *RMB'000*
0–90 days	2,875,254	3,909,308
91–180 days	196,590	152,477
181–365 days	59,266	69,268
Over 365 days	15,075	6,385
	3,146,185	4,137,438

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.

Included in the Group's trade receivables balances are debtors with an aggregate carrying amount of RMB139,747,000 (2016: RMB135,176,000) which were past due at the end of the reporting period but for which the Group has not provided impairment loss after considering these balances could be recovered based on the repayment history and the current creditworthiness of these customers. The Group does not hold any collateral over these balances.

Aging of trade receivables which were past due but not impaired

	2017 *RMB'000*	2016 *RMB'000*
91–180 days	68,573	59,523
181–365 days	57,602	69,268
Over 365 days	13,572	6,385
Total	139,747	135,176

Movement in the allowance for doubtful debts

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	81,485	55,334
Impairment losses recognized on trade receivables	7,722	28,565
Amounts recovered during the year	(44,845)	(3,740)
Exchange adjustments	(1,434)	1,326
At 31 December	42,928	81,485

23. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(i) Trade and other receivables (continued)

Movement in the allowance for doubtful debts (continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB42,928,000 (2016: RMB81,485,000), based on the repayment history and the current creditworthiness of these customers that they will not be recovered based on the management's assessment. 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 (2016: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 28.

The aged analysis based on the invoice date is presented as follows:

	2017	2016
	RMB'000	*RMB'000*
91–180 days	**98,000**	685,914
181–365 days	**182,900**	499,446
	280,900	1,185,360

24. TRANSFERS OF FINANCIAL ASSETS

The following are the Group's financial assets as at 31 December 2017 and 2016 that are transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing. These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse:

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**280,900**	1,185,360
Carrying amount of associated liabilities	**(277,515)**	(1,177,555)
Net position	**3,385**	7,805

25. PLEDGED BANK DEPOSITS/BANK BALANCES

The pledged bank deposits are used to secure the bills payables 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 interest rates as follows:

	Fixed/variable	2017	2016
Pledged deposits	Fixed	**0.30%–4.50%**	2.00%–3.08%
Bank balances	Fixed/Variable	**0.01%–4.30%**	0.01%–1.15%

26. TRADE AND OTHER PAYABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade and bills payables *(note)*:		
— SGMW	**769,662**	614,923
— Guangxi Automobile Group	**133,259**	168,051
— Qingdao Dianshi	**33,207**	3,478
— third parties	**5,516,520**	6,208,972
	6,452,648	6,995,424
Receipt in advance from customers	**193,839**	381,974
Value added tax payables	**177,936**	128,246
Accrued research and development expenses	**332,110**	378,410
Accrued staff costs	**197,869**	171,686
Other tax payables	**163,046**	245,310
Payables for acquisition of property, plant and equipment	**125,053**	73,356
Deposits received from suppliers	**59,353**	95,497
Other payables	**253,876**	187,760
Total trade and other payables	**7,955,730**	8,657,663

note: An aged analysis of trade and bills payables based on the invoice date is presented as follows:

	2017 *RMB'000*	2016 *RMB'000*
0 to 90 days	**4,192,462**	4,583,935
91 to 180 days	**1,901,095**	2,129,273
181 to 365 days	**125,166**	146,992
Over 365 days	**233,925**	135,224
	6,452,648	6,995,424

27. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2016	151,353
Additional provision in the year	45,795
Utilization of provision	(34,196)
At 31 December 2016	162,952
Additional provision in the year	**18,404**
Utilization of provision	**(38,652)**
At 31 December 2017	**142,704**

The warranty provision represents the management's best estimate under its 2-3 years' product warranty granted to its specialized vehicles, automobile components and engines customers.

28. BANK BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	notes	**2017** **RMB'000**	2016 RMB'000
Analysis of bank borrowings:			
Secured		**96,423**	55,903
Unsecured		**395,153**	–
		491,576	55,903
Carrying amount repayable on demand or within one year	*(i)*	**490,873**	55,073
Carrying amount of bank loans 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)		**703**	830
Amount due within one year shown under current liabilities		**491,576**	55,903
Advances drawn on bills receivables discounted with recourse	*(ii)*	**277,515**	1,177,555

notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(ii) The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 23(ii)).

28. BANK BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE (continued)

notes: (continued)

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

	2017	2016
Effective interest rate:		
Fixed-rate borrowing	4.35%	–
Variable-rate borrowings	2.13%–7.25%	5.25%

(iv) The collaterals for the Group's secured bank borrowings are set out in note 35.

(v) The Group's unsecured bank borrowings and bills payables at 31 December 2017 was supported by corporate guarantee to the extent of RMB4,406,000,000 (2016: RMB2,850,000,000) given by Guangxi Automobile.

29. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 23 May 2017, the Company issued convertible loan notes with an aggregate principal sum of HKD400,000,000 at par (equivalent to approximately RMB353,760,000) to Wuling HK ("CN 2020"). Wuling HK is the immediate holding company of the Company. CN 2020 is denominated in HKD and carries interest at 4% per annum with maturity on 23 May 2020. CN 2020 entitles the holder to convert, in whole or in part, the principal sum into ordinary shares of the Company on any business day commencing from 22 November 2017 upto the fifth business days prior to the maturity date, at a conversion price of HKD0.70 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2020 will be redeemed on maturity date at par.

CN 2020 contains two components, being a liability component and a conversion option derivative component. The effective interest rate of the liability component is 22.68%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

On 29 December 2017, Wuling HK converted the CN 2020 in the aggregate principal amount of HKD150,000,000 into shares of HKD0.04 each at the conversion price of HKD0.70 per share. Accordingly, an aggregate of 214,285,714 ordinary shares of HKD0.04 each were allotted and issued by conversion of the CN 2020.

29. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES (continued)

The movement of the liability and derivative components of the CN 2020 during the year is set out below:

	2017	
	Liability component *RMB'000*	Derivative component *RMB'000*
Carrying amount at 23 May 2017	219,602	134,158
Effective interest expense	28,433	–
Change in fair value recognized in profit or loss during the year	–	(46,994)
Conversion during the year	(88,003)	(30,665)
Exchange gain	(13,355)	(5,939)
At the end of the year	146,677	50,560
Analyzed as:		
Current	23,820	50,560
Non-current	122,857	–
	146,677	50,560

The methods and assumptions applied for the valuation of the liability and conversion option derivative components of CN 2020 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by BMI Appraisals Limited ("BMI"), 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 22.68%, which was determined with reference to the credit rating of the Company and remaining time to maturity.

29. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES (continued)

(ii) Valuation of conversion option derivative component

The conversion option derivative component was measured at fair value using the Binomial Option Pricing Model by BMI as of 23 May 2017, 29 December 2017 and 31 December 2017. The inputs into the model at the respective dates were as follows:

	As at 31 December 2017	As at 29 December 2017	As at 23 May 2017
Share price	HKD0.57	HKD0.57	HKD0.65
Conversion price	HKD0.70	HKD0.70	HKD0.70
Risk free rate *(note a)*	1.40%	1.40%	0.85%
Expected life	2.39 years	2.40 years	3.00 years
Expected dividend yield *(note b)*	2.19%	2.19%	1.92%
Expected volatility *(note c)*	47.33%	47.35%	62.10%

notes:

(a) The risk-free rate was determined with reference to the yield rate of the Hong Kong Government Note with duration similar to the expected life of the option.

(b) The expected dividend yield of the underlying security of the convertible loan notes was determined based on the historical dividend payment record of the Company.

(c) The expected volatility of the underlying security of the convertible loan notes was determined based on the historical volatility of the share prices of the Company.

30. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB'000	2016 RMB'000
Foreign currency forward contract	5,303	–

Major terms of foreign currency forward contract is as below:

Notional amount	Maturity	Forward exchange rate
As at 31 December 2017		
United States dollar ("USD") 56 million	November 2018	Buy USD/sell RMB at 6.7365

The above currency forward contract is measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

31. DEFERRED TAX LIABILITIES

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

	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 2016	3,459	(9)	13,489	16,939
Released upon distribution of dividends	–	–	(298)	(298)
Charge to profit or loss	435	–	6,243	6,678
At 31 December 2016	3,894	(9)	19,434	23,319
Released upon distribution of dividends	**–**	**–**	**(1,177)**	**(1,177)**
(Credit) charge to profit or loss	**(288)**	**–**	**4,204**	**3,916**
At 31 December 2017	**3,606**	**(9)**	**22,461**	**26,058**

notes:

(i) At the end of the reporting period, the Group had unused tax losses of RMB257,584,000 (2016: RMB230,358,000). A deferred tax asset has been recognized in respect of tax losses of RMB62,000 as at 31 December 2017 (2016: RMB62,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB257,522,000 (2016: RMB230,296,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB1,480,000 (2016: RMB7,072,000) that will expire within five years. Other tax losses of RMB256,042,000 (2016: RMB223,224,000) may be carried forward indefinitely.

(ii) At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences amounting to RMB32,665,000 (2016: RMB39,161,000).

(iii) Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the 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.

There was no other significant unprovided deferred taxation for the year or at the end of the reporting period.

32. SHARE CAPITAL

	Number of shares	Amount *HKD'000*
Authorized:		
Ordinary shares of HKD0.004 each	25,000,000,000	100,000
Convertible preference shares of HKD0.001 each	1,521,400,000	1,521
Balance at 1 January 2016, 31 December 2016 and 31 December 2017		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2016	1,821,591,571	7,286
Exercise of share options *(note)*	14,230,270	57
At 31 December 2016	1,835,821,841	7,343
Conversion of convertible loan notes *(note 29)*	214,285,714	857
At 31 December 2017	2,050,107,555	8,200

	2017 ***RMB'000***	2016 *RMB'000*
Shown in the consolidated financial statements at the end of the reporting period as	**7,366**	6,648

note: During the year ended 31 December 2016, 14,230,270 ordinary shares of the Company of HKD0.004 each were issued upon the exercise of 14,230,270 share options with proceeds of HKD6,774,000 (equivalent to RMB5,697,000).

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

33. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, a new share option scheme (the "Share Option Scheme") with an expiry date on 27 May 2022 was adopted by the Company.

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

Purpose

Provide incentives and rewards to eligible participants.

33. SHARE OPTION SCHEME (continued)

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

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

151,799,297 ordinary shares, being 10% of the issued share capital as at the date of refreshment of the limit of the granting of share option as approved by the shareholders of the Company on 5 June 2015, and representing approximately 7.4% of the total issued share capital as at 31 December 2017.

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.

Amount payable on acceptance

HKD1.00

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

Not applicable.

33. SHARE OPTION SCHEME (continued)

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

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 Share Option Scheme will be valid and effective until 27 May 2022, 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 27 May 2022 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.

33. SHARE OPTION SCHEME (continued)

(ii) During the year ended 31 December 2017, no option is granted or outstanding under the Share Option Scheme. The following table disclosed details of the Company's share options granted to directors and employees under the Share Option Scheme and movements in such holdings during the year ended 31 December 2016:

				Number of share options			
Date of grant	Vesting date	Exercise period	Adjusted exercise price per share *(note i)*	As at 1 January 2016	Exercised during the year	Lapsed during the year	As at 31 December 2016
Directors							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	15,454,500	(6,181,800)	(9,272,700)	–
Former Director							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	3,090,900	(2,060,600)	(1,030,300)	–
Employees (Continuous Contracts)							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	75,613,717	(5,987,870)	(69,625,847)	–
29 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	463,635	–	(463,635)	–
21 January 2015	5 May 2015	From 6 May 2015 to 30 June 2016	HKD0.544	13,806,020	–	(13,806,020)	–
				89,883,372	(5,987,870)	(83,895,502)	–
Total				108,428,772	(14,230,270)	(94,198,502)	–
Exercisable at year end							–
Weighted average exercise price				HKD0.485	HKD0.476	HKD0.476	N/A

notes:

(i) The number of shares entitled to be subscribed for and the exercise prices under the outstanding options have been adjusted upon completion of the Open Offer, details of which may refer to the announcement of the Company dated 29 July 2015.

(ii) During the year ended 31 December 2016, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

As at 1 January 2016, included in the share options held by the employees were 1,648,480 share options which were granted to an employee of the Company who is the spouse of Mr. Lee. These share options were fully exercised during the year ended 31 December 2016.

34. CAPITAL AND OTHER COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	**642,039**	104,916
— property, plant and equipment	**301,420**	271,807
	943,459	376,723

35. PLEDGE OF ASSETS

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

	2017 RMB'000	2016 RMB'000
Bank deposits	**565,840**	302,630
Investment properties	**4,988**	4,942
	570,828	307,572

As at 31 December 2017, bills receivables discounted with full recourse amounting to RMB280,900,000 (2016: RMB1,185,360,000).

36. 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 RMB57,932,000 (2016: RMB51,966,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2017.

37. NON-CASH TRANSACTIONS

During the year ended 31 December 2017:

(i) Deposits paid for acquisition of property, plant and equipment of RMB404,019,000 (2016: RMB475,604,000) were transferred to property, plant and equipment;

(ii) Bills receivables discounted with recourse of RMB3,444,271,000 (2016: RMB5,128,590,000) has been netted off against advances drawn on bills receivables discounted with recourse when the bills receivables discounted with recourse have been settled; and

(iii) Finance costs of RMB97,751,000 (2016: RMB78,812,000) has been netted off against advances drawn on bills receivables discounted when the bills receivables were discounted.

38. OPERATING LEASES

The Group as lessor

Property rental income from investment properties earned during the year was RMB156,000 (2016: RMB142,000). One of the Group's investment properties is held for rental purpose. It is expected to generate rental yield of 5% (2016: 5%) on an ongoing basis. The property held has committed tenants for the next year (2016: next year).

Machinery and other property rental income earned during both years are disclosed in note 7(b). At 31 December 2017 and 2016, all machineries held had no significant committed lessee.

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

	2017 ***RMB'000***	2016 *RMB'000*
Within one year	**152**	145
In the second to fifth year inclusive	**103**	246
	255	391

The Group as lessee

Minimum lease payments made under operating leases during the year was RMB54,283,000 (2016: RMB47,239,000).

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:

	2017 ***RMB'000***	2016 *RMB'000*
Within one year	**47,770**	38,965
In the second to fifth year inclusive	**54**	37,772
	47,824	76,737

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

39. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2017 RMB'000	2016 RMB'000
SGMW	Sales by the Group *(note 6)*	**11,084,125**	13,084,973
	Purchases of materials by the Group	**5,118,643**	5,973,118
	Warranty costs incurred by the Group	**759**	841
	Service income for warehouse management and related services	**14**	715
Guangxi Automobile Group	Sales of:		
	Raw materials and automotive components by the Group *(note a)*	**352,454**	324,000
	Provision of water and power supply services by the Group *(note a)*	**4,192**	2,196
	Provision of production outsourcing services by the Group *(note a)*	**12,480**	–
		369,126	326,196
	Purchase of:		
	Automotive components and other accessories by the Group *(note a)*	**38,846**	71,057
	Mini passenger buses by the Group *(note a)*	**296,739**	393,913
	Air-conditioning parts and accessories by the Group *(note a)*	**8,364**	6,319
	Electronic devices and components by the Group *(note a)*	**–**	813
	Equipments by the Group *(note b)*	**76,282**	–
		420,231	472,102
	Compensation income with respect of plant and reconstruction *(note 7(b))*	**48,835**	–
	License fee paid by the Group	**1,226**	1,226
	Rental expenses paid by the Group (see vi below) *(note a)*	**33,557**	35,889
	Interest expenses paid by the Group on — Advances drawn on bills receivables (see v below)	**47,407**	26,062
Qingdao Dianshi	Purchase of automotive components and other accessories by the Group	**142,784**	123,585
	Sales of raw materials and automotive components by the Group	**20,271**	21,845
Guangxi Weixiang	Sales of raw materials and automotive components by the Group	**6,692**	5,539
	Purchase of automotive components and other accessories by the Group	**2,996**	1,939

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For the year ended 31 December 2017

39. RELATED PARTY DISCLOSURES (continued)

(i) Related party transactions (continued)

notes:

(a) These transactions were considered as continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange. Details of these continuing connected transactions were described in the Report of the Directors under the heading "Continuing Connected Transactions" on pages 65 to 67 of this annual report.

(b) These purchase transactions referred to the connected transactions entered into between Wuling Industrial and 上海詣譜自動化裝備有限公司 (Shanghai Yipu Automatic Equipment Co., Ltd), a company established in the PRC and held as to approximately 40% by Guangxi Automobile, which details were described in "Connected Transactions" on pages 63 to 65 to this annual report.

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out in notes 23 and 26.

(iii) Guarantees provided

The guarantees provided to the Group by Guangxi Automobile are set out in note 28(v).

(iv) Compensation of key management personnel

The remuneration of the Group's key management during the year was as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Short-term benefits	**7,598**	8,765
Post-employment benefits	**529**	563
	8,127	9,328

(v) Provision of facility

During the year, Guangxi Automobile agreed to provide a facility to the Group, whereby the Group could discount, without recourse, its bills receivables to Guangxi Automobile to the extent of RMB4,000,000,000 (2016: RMB2,850,000,000). The discounting rate per annum was the most favorable discounting rates offered in the market from time to time. During the year, the Group discounted bills receivables of RMB3,531,604,000 (2016: RMB2,347,613,000) to Guangxi Automobile with a maturity period less than 180 days and at an average discounting rate of 3.98% (2016: 2.8%) per annum.

39. RELATED PARTY DISCLOSURES (continued)

(vi) Commitments

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

	2017 RMB'000	2016 RMB'000
Within one year	30,857	36,418
In the second to fifth year inclusive	–	36,418
	30,857	72,836

40. 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 maximizing the return to shareholders through the optimization 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 advances drawn on bills receivables discounted with recourse, bank borrowings and convertible loan notes as disclosed in notes 28 and 29 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.

41. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,803,966	7,275,612
Available-for-sale investment	10,000	10,000
Financial liabilities		
Amortized cost	7,682,388	8,444,704
Derivative financial instrument	50,560	–
Financial liability at fair value through profit or loss	5,303	–

41. FINANCIAL INSTRUMENTS (continued)

(ii) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, bills receivables discounted with recourse, pledged bank deposits, bank balances and cash, trade and other payables, convertible loan notes, derivative financial instrument, financial liability at fair value through profit or loss, advances drawn on bills receivables discounted with recourse and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and 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.

(a) Currency risk

Several subsidiaries of the Company have foreign currency sales, purchases, trade and other receivables, bank balances and cash, trade and other payables, convertible loan notes and bank borrowings which exposes the Group to foreign currency risk. Approximately 0.1% of the Group's sales are denominated in currencies other than the functional currency of the relevant group entities making the sale, whilst almost 99.9% of costs are denominated in the relevant group entity's functional currency.

In order to mitigate the currency risk, the Group has entered into a foreign currency contract to partially hedge USD against RMB. Details of the contract is set out in note 30. The Group regularly reviews the effectiveness of this instrument and the underlying strategies in monitoring currency risk.

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

	Assets		Liabilities	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
HKD	**3,142**	1,705	**177,594**	903
USD	**26**	179	**365,173**	–

41. FINANCIAL INSTRUMENTS (continued)

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

(a) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD and USD. 5% is the sensitivity rate used by the 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.

	2017 ***RMB'000***	2016 *RMB'000*
Impact on post-tax profit		
— HKD	**7,415**	(33)
— USD	**15,519**	(8)

(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 fixed-rate bank borrowings, pledged bank deposits 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 minimize 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 fair value interest rate on 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 and London Interbank Offered Rate arising from the Group's USD denominated borrowing.

41. FINANCIAL INSTRUMENTS (continued)

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

(b) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable-rate borrowings 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 2017 would decrease by RMB1,680,000 (2016: RMB276,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

(c) Credit risk

As at 31 December 2017, 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 is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize 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 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 23) which represents 54% (2016: 79%) of the total trade and bills receivables as at 31 December 2017. For both years, SGMW, which is a well-known car manufacturer in the PRC, and a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Co., Limited and Guangxi Automobile, has good financial position by reference to its respective financial statements, which are regularly reviewed by Guangxi Automobile. 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 Guangxi Automobile has representative 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.

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

41. 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 drawn on bills receivables discounted with recourse and also bank borrowings as significant sources of liquidity.

The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of the Group as at 31 December 2017 was RMB1,356,534,000 (2016: RMB972,575,000). In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 2.

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 at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (continued)

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

(d) Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instrument. The table was drawn up based on the undiscounted gross (inflows) and outflows on the derivative that required gross settlement. The liquidity analysis for the Group's derivative financial instrument were prepared based on the contractual maturities as the management considered that the contractual maturities were essential for an understanding of the timing of the cash flows of derivative.

	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 flows RMB'000	Carrying amount RMB'000
2017							
Non-derivative financial liabilities							
Trade and other payables	–	3,076,250	1,430,184	2,260,186	–	6,766,620	6,766,620
Convertible loan notes							
— fixed rate	4.00	–	–	8,328	224,856	233,184	146,677
Bank borrowings							
— variable rate	2.13–7.25	395,926	–	–	–	395,926	395,926
— fixed rate	4.35	–	–	95,990	–	95,990	95,650
Other borrowings							
— advances drawn on bills receivables discounted with recourse	4.83	–	182,314	97,010	–	279,324	277,515
		3,472,176	1,612,498	2,461,514	224,856	7,771,044	7,682,388
Derivative — gross settlement							
Foreign currency forward contract							
— inflow	–	–	–	(375,031)	–	(375,031)	(375,031)
— outflow	–	–	–	380,334	–	380,334	380,334
		–	–	5,303	–	5,303	5,303

	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	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2016						
Non-derivative financial liabilities						
Trade and other payables	–	3,721,965	1,077,590	2,411,691	7,211,246	7,211,246
Bank borrowings						
— variable rate	5.25	55,903	–	–	55,903	55,903
Other borrowings						
— advances drawn on bills receivables discounted with recourse	2.81	163,538	1,039,099	–	1,202,637	1,177,555
		3,941,406	2,116,689	2,411,691	8,469,786	8,444,704

41. FINANCIAL INSTRUMENTS (continued)

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

(d) Liquidity risk (continued)

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 31 December 2017, the aggregate undiscounted principal amounts of these bank loans amounted to RMB395,926,000 (2016: RMB55,903,000). 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 within 1 year or up to 5 years after the end of the reporting period 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 RMB396,775,000 (2016: RMB60,870,000).

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

(iii) Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3 as set out in Note 4) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at 31 December		Fair value hierarchy
	2017	2016	
	RMB'000	*RMB'000*	
Financial liability			
Foreign currency forward contract *(note a)*	**5,303**	–	Level 2
Derivative component in relation to the convertible loan notes *(note b)*	**50,560**	–	Level 3

41. FINANCIAL INSTRUMENTS (continued)

(iii) Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

notes:

(a) These financial liability is measured at fair value determined by BMI with reference to discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(b) As at 31 December 2017, the valuation technique adopted was Binomial Option Pricing Model whereas the key inputs to the valuation models included the share price, conversion price, risk free rate, expected life, expected dividend yield and expected volatility as disclosed in note 29. The significant unobservable inputs in the valuation model included the expected volatility and the expected dividend yield. Both inputs were positively related to the fair value of the derivative component in relation to the convertible loan notes. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the derivative component in relation to the convertible loan notes would not be significant.

Reconciliation of Level 3 Measurements

The reconciliation of Level 3 measurements of the Group's financial instrument for the year ended 31 December 2017 is set out in note 29.

There were no transfers between different levels of the fair value hierarchy throughout the year.

(ii) Fair value of financial instruments that are recorded at amortized cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values at the end of the reporting period, except for the available-for-sale investment measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings (note 28) RMB'000	Interest payable RMB'000	Convertible loan notes (note 29) RMB'000	Derivative financial instrument (note 29) RMB'000	Advances drawn on bills receivables discounted with recourse (note 28) RMB'000	Dividend payable RMB'000	Amount due to non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	55,903	525	–	–	1,177,555	–	–	1,233,983
Financing cash flows	436,529	(18,906)	219,602	134,158	2,446,480	(19,648)	(22,474)	3,175,741
Dividend recognized as distribution	–	–	–	–	–	19,648	–	19,648
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	22,474	22,474
Conversion of convertible loan notes	–	–	(88,003)	(30,665)	–	–	–	(118,668)
Foreign exchange gain, net	2,238	–	(13,355)	(5,939)	–	–	–	(17,056)
Fair value adjustments	–	–	–	(46,994)	–	–	–	(46,994)
Net off of bills receivables discounted with recourse	–	–	–	–	(3,444,271)	–	–	(3,444,271)
Finance cost recognized	–	18,906	28,433	–	97,751	–	–	145,090
Foreign exchange translation	(3,094)	–	–	–	–	–	–	(3,094)
At 31 December 2017	491,576	525	146,677	50,560	277,515	–	–	966,853

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2017 and 2016 is as follows:

	note	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		–	54
Unlisted investments in subsidiaries		993,829	654,820
		993,829	654,874
CURRENT ASSETS			
Dividend receivables		–	26,135
Amounts due from subsidiaries		8,256	3,603
Prepayments and deposits		3,719	4,874
Cash and cash equivalents		2,202	1,364
		14,177	35,976
CURRENT LIABILITIES			
Other payables and accruals		1,607	5,142
Derivative financial instrument		50,560	–
Convertible loan notes		23,820	–
Bank borrowings		29,981	55,000
		105,968	60,142
NET CURRENT LIABILITIES		(91,791)	(24,166)
TOTAL ASSETS LESS CURRENT LIABILITIES		902,038	630,708
NON-CURRENT LIABILITIES			
Convertible loan notes		122,857	–
NET ASSETS		779,181	630,708
CAPITAL AND RESERVES			
Share capital		7,366	6,648
Reserves	(i)	771,815	624,060
TOTAL EQUITY		779,181	630,708

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

note:

(i) Reserves

	Share premium *RMB'000*	Contributed surplus *RMB'000*	Share option reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2016	331,441	94,381	17,166	190,285	633,273
Loss and total comprehensive expense for the year	–	–	–	(3,072)	(3,072)
Exercise of share options	8,103	–	(2,454)	–	5,649
Lapse of share options	–	–	(14,712)	14,712	–
Dividend recognized as distribution	–	–	–	(11,790)	(11,790)
At 31 December 2016	339,544	94,381	–	190,135	624,060
Profit and total comprehensive income for the year	–	–	–	49,453	49,453
Conversion of convertible loan notes	117,950	–	–	–	117,950
Dividend recognized as distribution	–	–	–	(19,648)	(19,648)
At 31 December 2017	457,494	94,381	–	219,940	771,815

The Company's contributed surplus represents (a) the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganization on 30 November 1992, over the nominal value of the Company's shares issued in exchange therefore; (b) 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 (c) the transfer of the credit arising from the share premium and the absorption of accumulated losses on 27 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44. PRINCIPAL SUBSIDIARIES

(i) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Class of shares held	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings 2017 Direct %	Interest holdings 2017 Indirect %	Interest holdings 2016 Direct %	Interest holdings 2016 Indirect %	Principal activities
Wuling Industrial	N/A	The PRC 30 October 2006 *(note iii)*	RMB1,203,706,746 (2016: RMB1,042,580,646)	**60.90** ***(note i)***	–	54.86 *(note i)*	–	Investment holding, manufacture and sale of automotive components and spare parts, specialized vehicles and other industrial services
柳州五菱柳機動力有限公司 Liuji Motors	N/A	The PRC 16 June 1993 *(note iii)*	RMB100,125,389	–	**60.90** ***(note ii)***	–	54.86 *(note ii)*	Manufacture and sale of petrol engines and motor cycles engines
無錫五菱動力機械有限責任公司	N/A	The PRC 15 July 2005 *(note iii)*	RMB6,000,000	–	**41.41** ***(note ii)***	–	37.30 *(note ii)*	Manufacture and sale of accessories of motor vehicles
柳州卓達汽車部件有限公司	N/A	The PRC 27 June 2011 *(note iii)*	RMB25,000,000	–	**60.90** ***(note ii)***	–	54.86 *(note ii)*	Manufacture and sale of accessories of motor vehicles
吉林綽豐柳機內燃機有限公司	N/A	The PRC 3 August 2003 *(note iii)*	RMB38,000,000	–	**45.68** ***(note ii)***	–	41.15 *(note ii)*	Inactive
柳州卓通汽車工業有限公司	N/A	The PRC 21 November 2013 *(note iii)*	RMB10,000,000	–	**60.90** ***(note ii)***	–	54.86 *(note ii)*	Manufacture and sale of accessories of motor vehicles
重慶卓通汽車工業有限公司	N/A	The PRC 19 May 2014	RMB150,000,000	–	**60.90** ***(note ii)***	–	54.86 *(note ii)*	Manufacture and sale of accessories of motor vehicles
Watary Investments Limited	Ordinary	British Virgin Islands/ Hong Kong	USD36,000	**100**	–	100	–	Investment holding
Dragon Hill (HK) Limited	Ordinary	Hong Kong	HKD200,000	–	**100**	–	100	Property investment
DH Corporate Services Limited	Ordinary	Hong Kong	HKD2	–	**100**	–	100	Provision of administrative services
Pt. LZWL Motors Limited	N/A	Indonesia 17 March 2016	USD31,280,000	–	**60.90** ***(note ii)***	–	54.86 *(note ii)*	Manufacture and sale of accessories of motor vehicles

44. PRINCIPAL SUBSIDIARIES (continued)

(i) General information of subsidiaries (continued)

notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and Guangxi Automobile 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 2017 of the Company and Guangxi Automobile in Wuling Industrial were 60.90% and 39.10% (2016: 54.86% and 45.14%), respectively.

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

(v) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are operated in the PRC. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries 2017	Number of subsidiaries 2016
Manufacture and sale of engine	The PRC	**1**	1
Manufacture and sale of special vehicles	The PRC	**1**	1
Inactive	The PRC	**2**	–
Inactive	Hong Kong	**5**	5

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	*%*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Wuling Industrial	The PRC	**39.10**	45.14	**108,626**	139,811	**1,045,178**	959,026

Summarized financial information in respect of Wuling Industrial that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

44. PRINCIPAL SUBSIDIARIES (continued)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Wuling Industrial

	2017 RMB'000	2016 RMB'000
Current assets	7,692,320	9,225,328
Non-current assets	3,997,302	3,136,923
Current liabilities	8,955,938	10,180,464
Non-current liabilities	18,323	21,416
Equity attributable to the Company	1,670,183	1,201,345
Equity attributable to the non-controlling interests	1,045,178	959,026

	2017 RMB'000	2016 RMB'000
Revenue	16,123,739	16,667,553
Expenses	15,861,592	16,362,738
Profit and total comprehensive income for the year	262,147	304,815
Profit and total comprehensive income attributable to the non-controlling interests	108,626	139,811
Dividends paid to non-controlling interests	22,474	28,932
Net cash outflow from operating activities	(1,619,374)	(4,887,474)
Net cash (outflow) inflow from investing activities	(1,213,286)	27,315
Net cash inflow from financing activities	2,978,718	5,355,502
Net cash inflow	146,058	495,343

45. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 August 2017, Wuling Industrial entered into an equity transfer agreement (the "Equity Transfer Agreement") with Guangxi Automobile and Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") pursuant to which Wuling Industrial conditionally agreed to acquire 50.7% and 49.3% of equity interest in 青島五菱汽車科技有限公司 (Qingdao Wuling Automobile Technology Limited) ("Qingdao Wuling") from Guangxi Automobile and Wuling Motors at a consideration of RMB71,857,500 and RMB69,873,200 respectively. The principal assets of Qingdao Wuling comprised properties located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC (中國青島市黃島區江山路西松花江路南側) which was currently leased by the Shandong branch of Wuling Industrial as offices and production plants, cash and bank balances and certain receivable balances from Guangxi Automobile, which would be fully settled upon completion of the Equity Transfer Agreement. Details of the Equity Transfer Agreement were disclosed in the Company's announcement dated 18 August 2017 and the Company's circular dated 30 September 2017.

Completion of the Equity Transfer Agreement were taken place on 1 January 2018, upon which Qingdao Wuling became a wholly-owned subsidiary of Wuling Industrial and a non-wholly-owned subsidiary of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman and Chief Executive Officer)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong

Independent Non-Executive Directors

Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo *(appointed on 1 September 2017)*
Mr. Zuo Duofu *(resigned on 1 September 2017)*

AUDIT COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Wang Yuben
Mr. Mi Jianguo *(appointed on 1 September 2017)*
Mr. Zuo Duofu *(resigned on 1 September 2017)*

REMUNERATION COMMITTEE

Mr. Mi Jianguo *(Chairman)* *(appointed on 1 September 2017)*
Mr. Ye Xiang
Mr. Wang Yuben
Mr. Zuo Duofu *(resigned on 1 September 2017)*

NOMINATION COMMITTEE

Mr. Yuan Zhijun *(Chairman)*
Mr. Ye Xiang
Mr. Lee Shing
Mr. Wang Yuben
Mr. Mi Jianguo *(appointed on 1 September 2017)*
Mr. Zuo Duofu *(resigned on 1 September 2017)*

COMPANY SECRETARY

Mr. Lai Shi Hong Edward

AUDITOR

Deloitte Touche Tohmatsu

SOLICITOR

Sidley Austin

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
OCBC Wing Hang Bank Limited

PRC

Bank of China Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
China Everbright Bank Co., Limited
Hua Xia Bank Co., Limited
China Citic Bank
Industrial Bank Co., Limited

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REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN BERMUDA

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The Belvedere Building
69 Pitts Bay Road
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Bermuda

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STOCK CODE

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