俊山五菱汽車集團有限公司

DRAGON HILL WULING AUTOMOBILE HOLDINGS LIMITED

Annual Report 2007

Driving

FORWARD

Stock Code: 0305

Corporate Profile

Dragon Hill Wuling Automobile Holdings Limited is principally engaged in the businesses of the trading and manufacturing of automotive components, engines and specialized vehicles in the People's Republic of China. Partnered with Liuzhou Wuling Motors Company Limited, a reputable state-owned enterprise with extensive industry experiences, our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in the PRC.

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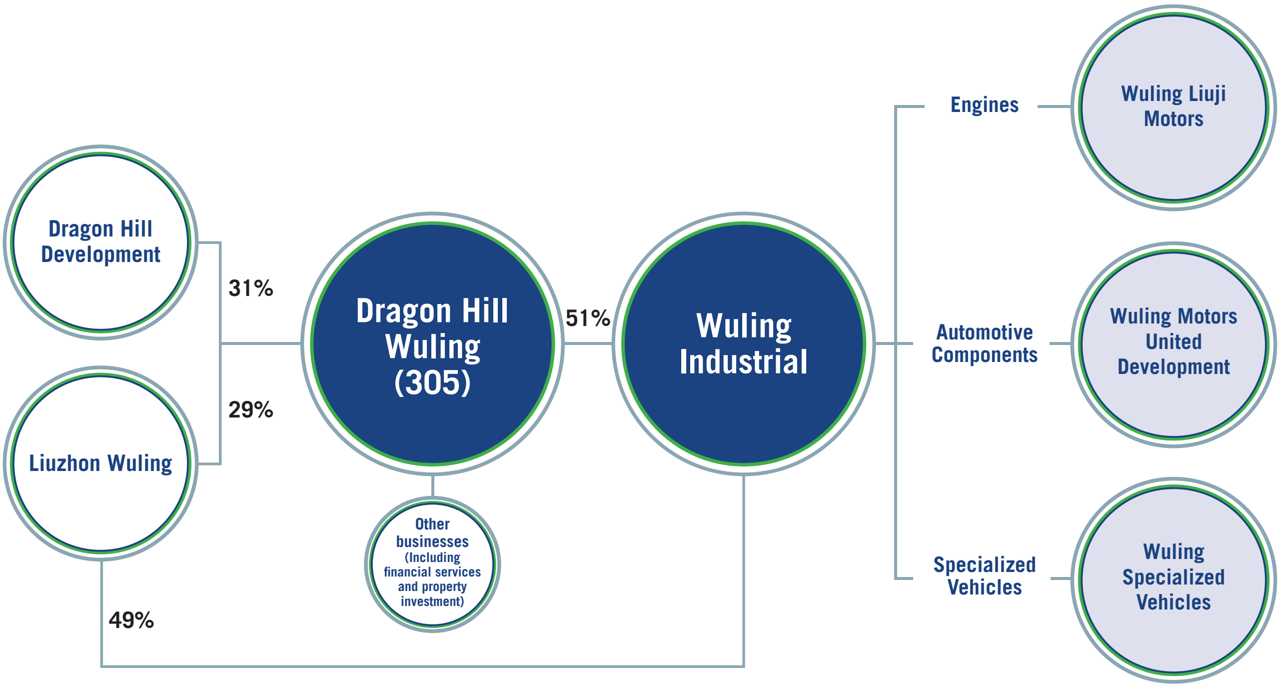
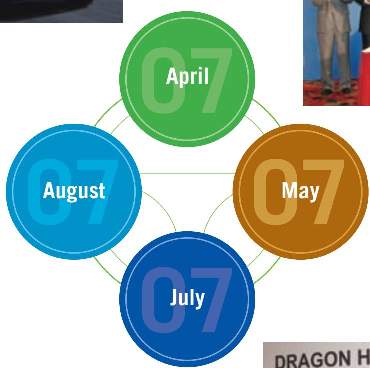
Group Structure



Events Review

April The Company and Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling') signed a framework agreement pursuant to which the Company agreed to acquired 51% shareholding interests in Wuling Industrial Company Limited ("Wuling Industrial") by way of capital injection at a total consideration of RMB391 million. At the same time, the controlling shareholder of the Company, Dragon Hill Development Limited agreed to dispose 29% shareholding interests of the Company to Liuzhou Wuling

May The parties of the framework agreement entered into formal agreements for the setup of Wuling Industrial as a joint venture company and the share sale agreement in relation to the acquisition of 29% shareholding interest of the Company by Liuzhou Wuling



August Wuling Industrial as a sino-foreign company was formally setup. The Company completed the first subscription amounting to RMB78.2 million. Liuzhou Wuling completed the acquisition of 29% shareholding interests of the Company and became the second largest shareholder. Subsequently, the name of the Company was changed to Dragon Hill Wuling Automobile Holdings Limited

July Setup of Wuling Industrial as a joint venture company and other related issues were unanimously approved by the shareholders of the Company

Chairman's Statement

REVIEW

2007 was undoubtedly a memorable year of the Company. The successful acquisition of a controlling stake in Liuzhou Wuling Motors Industrial Company Limited (柳州五菱汽車工業有限公司) ("Wuling Industrial") in August this year inaugurated the Group's re-positioned strategy in pursuing the business opportunities arising from the fast-growing automobile industry in the People's Republic of China ("PRC").

At the same time, the acquisition of a 29% shareholding interests of the Company by Liuzhou Wuling Motors Company Limited (柳州五菱汽車有限責任公司) ("Liuzhou Wuling") along with the setup of Wuling Industrial enabled the Group to have a two-dimension strategic partnership with a reputable state-owned enterprise in the automobile industry in the PRC.

Operating results of Wuling Industrial was consolidated into the Group's accounts commencing from 1 September 2007 subsequent to the formal setup of Wuling Industrial as a sino-foreign joint venture company controlled by the Company. As a result, the principal businesses of the Group had been substantially changed as compared to prior years. Due to this reason, newly-defined business segments were adopted for the segment analysis and the Reminbi ("RMB") was used as the presentation currency in the Company's financial statements.

During the year, the Group recorded total revenue of RMB 2,856,456,000 attributable mainly to the four new business segments namely (1) engines and parts; (2) automotive components and accessories; (3) specialized vehicles; and (4) procurement services for raw materials, water and power supply.

Net profits and profits attributable to equity holders for the year amounted to RMB 74,618,000 and RMB 11,147,000 respectively, in which engines and parts, automotive components and accessories and procurement services were the three main contributing segments.

OUTLOOK

The Company envisages the year ahead to be challenging. The weakening global economic situation led by the Subprime Mortgage Crisis in the United States will continue to affect the world economy and unnerve the market sentiment. Being the world fourth largest economic entity with increasing exposures to international trades and businesses, it is unlikely for the PRC to be impervious to this negative factor.

Meanwhile, inflationary pressures generated from the rapid economic growth will continue to make the on-going domestic regulatory measures imperative in the near future.

However, the Company is full of confidence in the long term growth potential in the PRC and believes the existing challenges will eventually convert into business opportunities for enterprises with determined goals and effective strategies.

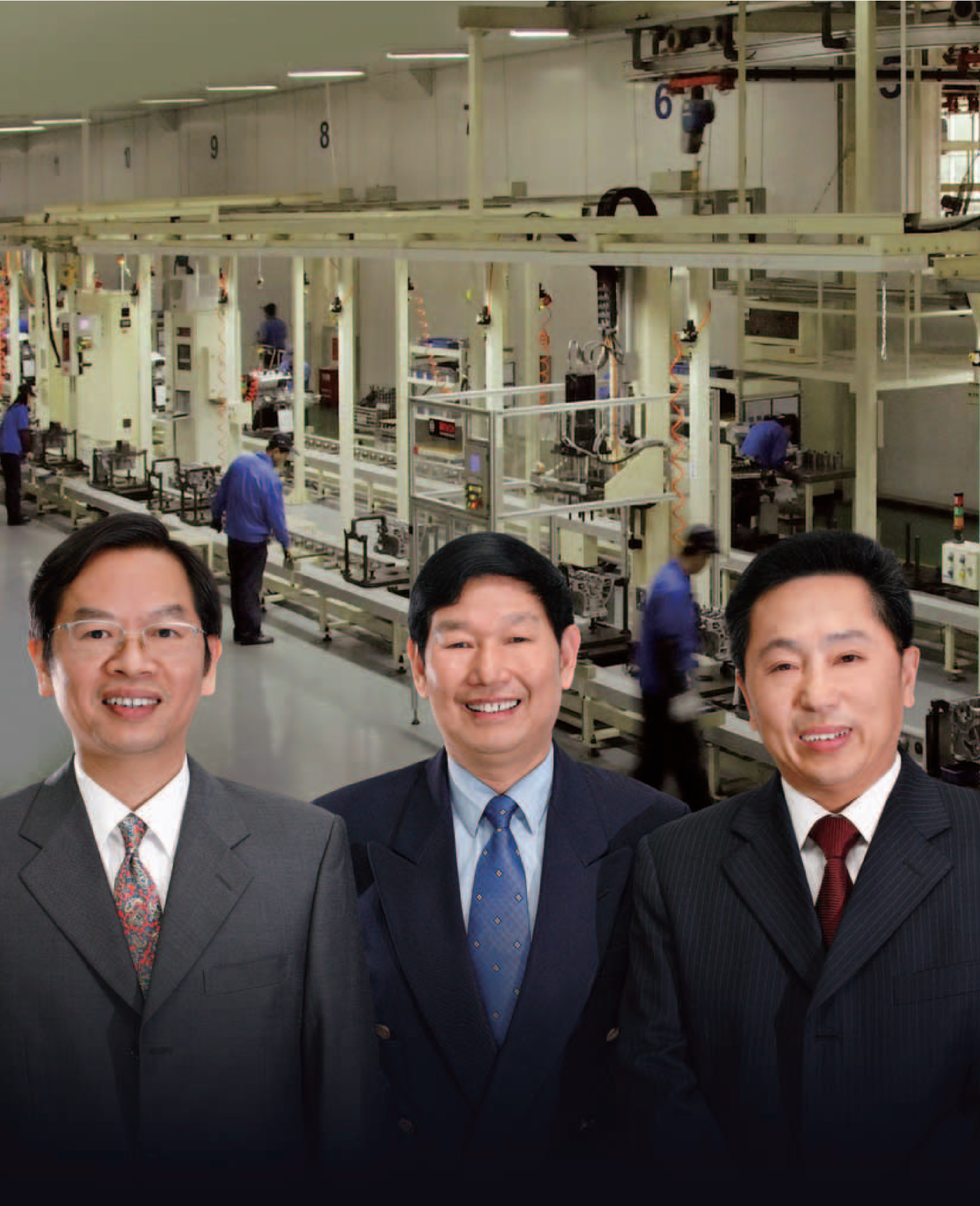
Despite uncertainties under the current market environment, the Company expects the PRC economy will continue to grow in a considerable pace. The implementation of appropriate regulatory measures will also help to stabilize short term market volatility and create long term benefits for the country.

Whilst motor vehicle is now becoming more and more important in the daily life of the general public in the PRC, our current business focus on the economical mini-vehicles will continue to serve the basic needs of the people. With the continuous supports from Liuzhou Wuling and our customers, we firmly believe the business prospects of the Group is promising and will bring in rewards to our shareholders.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our valued customers, bankers, business partners and shareholders, for their continued support to the Group. I would also like to thank my fellow directors, management and employees for their continued dedication and commitment.

Lee Shing
Chairman
17 April 2008



Wei Hongwen
Executive Director

He Shiji
Vice Chairman

Sun Shaoli
Executive Director

Vice Chairman's Statement

The vigorous development of Liuzhou Wuling can be traced back to June 2002 when the joint venture company, SAIC-GM-Wuling Automobile Co., Ltd. (上汽通用五菱汽車股份有限公司) ("SGMW"), was being formed among Shanghai Automobile Industry (Group) Company, General Motors China and Liuzhou Wuling to pursue the assembly businesses of mini-vehicles in the PRC.

Nowadays, in term of market share, SGMW has become the number one producer in the mini-vehicles market in the PRC. In response to the setup of SGMW, Liuzhou Wuling itself undertook a series of reforming processes in which the businesses of automotive components, engines and specialized vehicles became the three core businesses to capitalize on the well established knowhow and experiences of Liuzhou Wuling in the automobile industry. These reforming processes enhanced competitiveness and enabled Liuzhou Wuling to grow hand in hand with SGMW in the past few years. Through the supply of about 80% of the requisite key components to SGMW, Wuling Industrial,Wuling Liuji, Wuling United together with Wuling Specialized Vehicles delivered consistent remarkable results in these years.

The challenges and upcoming opportunities of the automobile industry in the PRC are unprecedented. Total number of vehicles to be sold in the PRC is expected to exceed 10 million for the year 2008. Meanwhile, the government has also implemented a number of policies to enhance the competence of the automobile industry in the PRC with the ultimate aim to match with the international standard.

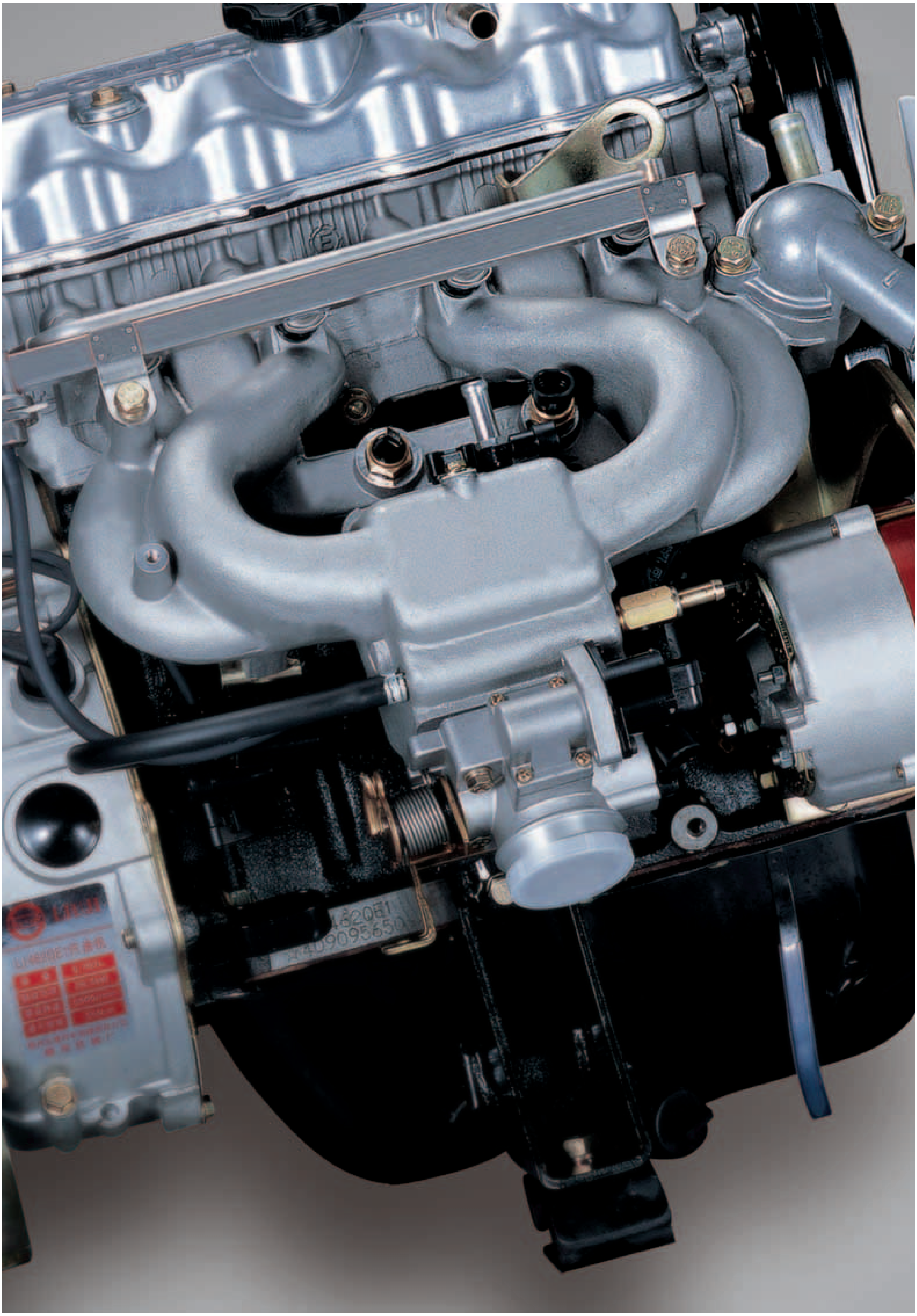
Internally, regulatory measures adopted to combat the overheating economy and the escalating fuel prices will cool down the growth in the PRC in the short run. However, as the focus of our products is on the economical style mini-vehicles which have become a necessity to the general households, we expect the impact will not be so significant as compared to the segment of the consumption style sedans.

Nevertheless, competition will become tougher as more and more first-line passenger cars manufacturers have begun to pursue the opportunities in this business segment. As such, we have to adopt a more flexible strategy in co-operation with our suppliers and customers to cope with this changing environment. Our new Tsingtao factory and the newly integrated production plants for the engine parts and chassis components which are scheduled to be operational in the year 2008 will eventually bring about positive impact to our business performance.

To stay in the front line, an enterprise has to be well prepared. This is why Liuzhou Wuling must take this critical outward strategy at the moment. We see the set up of Wuling Industrial, the sino-foreign joint venture under the control of the Dragon Hill Wuling Automobile Holdings Limited, a rejuvenation process of the automotive engines, components and specialized vehicles businesses, and a process which facilitates the injection of new sources of capital and management expertise with international perspectives, resulting in the enterprises to become more energetic in grasping the robust business opportunities arising from the fast-growing automobile industry in the PRC.

Through the co-operation between the joint venture partners and the conscientious efforts of the management and the staff members, we firmly believe Wuling Industrial will be a successful story in the PRC automobile industry and will deliver profitable returns to the shareholders.

He Shiji
Vice Chairman
17 April 2008



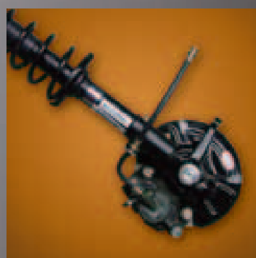
POWER




The engines produced by our factories are the source of power for the two millions plus Wuling - branded vehicles currently navigating on the transport systems across the country. On the back of our long and established history in machinery design and manufacturing, we produce petrol and diesel engines for motorbikes and automobiles with capacity ranges from 0.65L to 2.4L. Besides recognized as the No. 1 mini-vehicle engines producer in the PRC, our engine model LJ474QE was also awarded "King of Mini Vehicles Engines"in 2006.

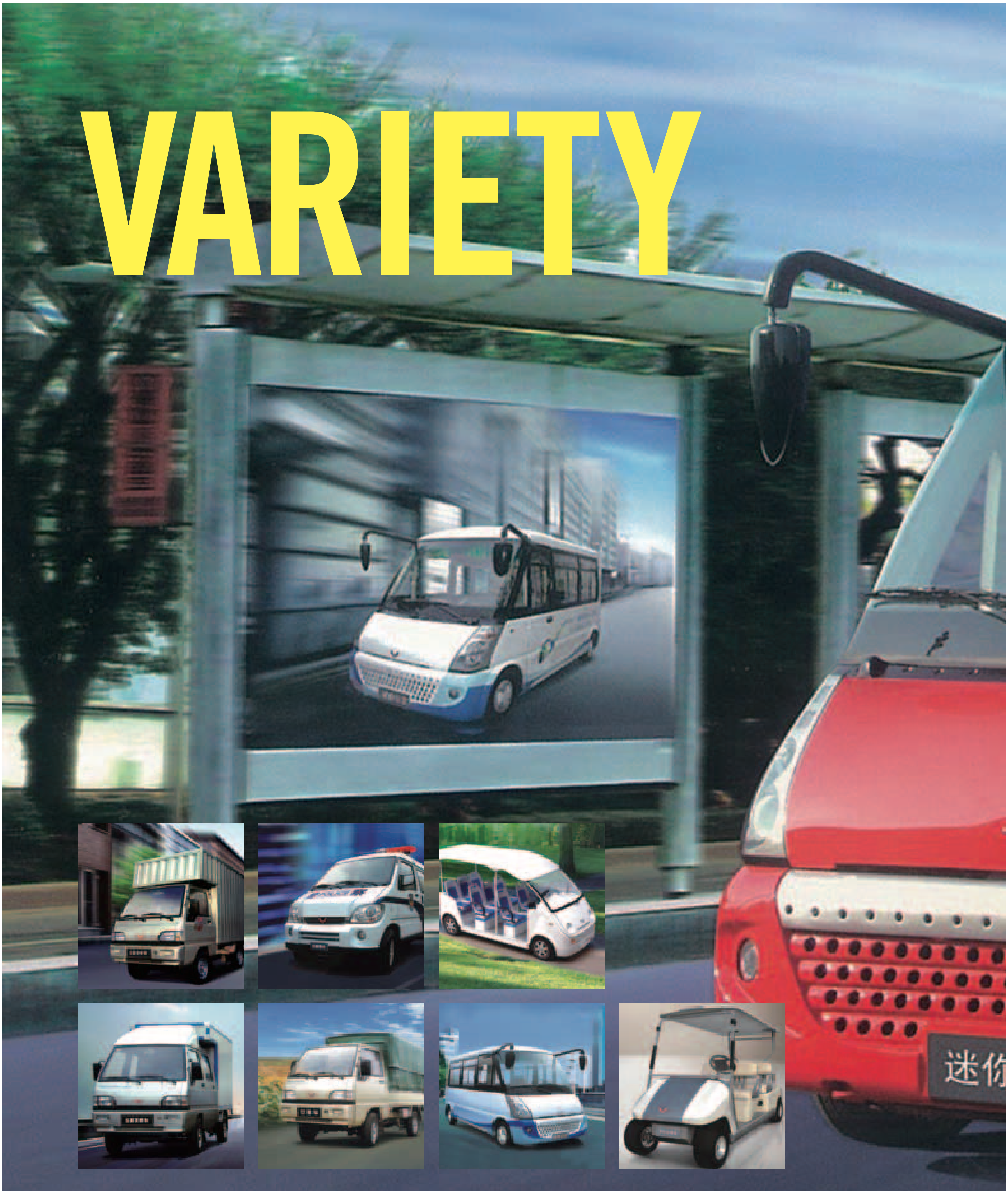
– Liuzhou Wuling Liuji Motors Company Limited

DESIGN



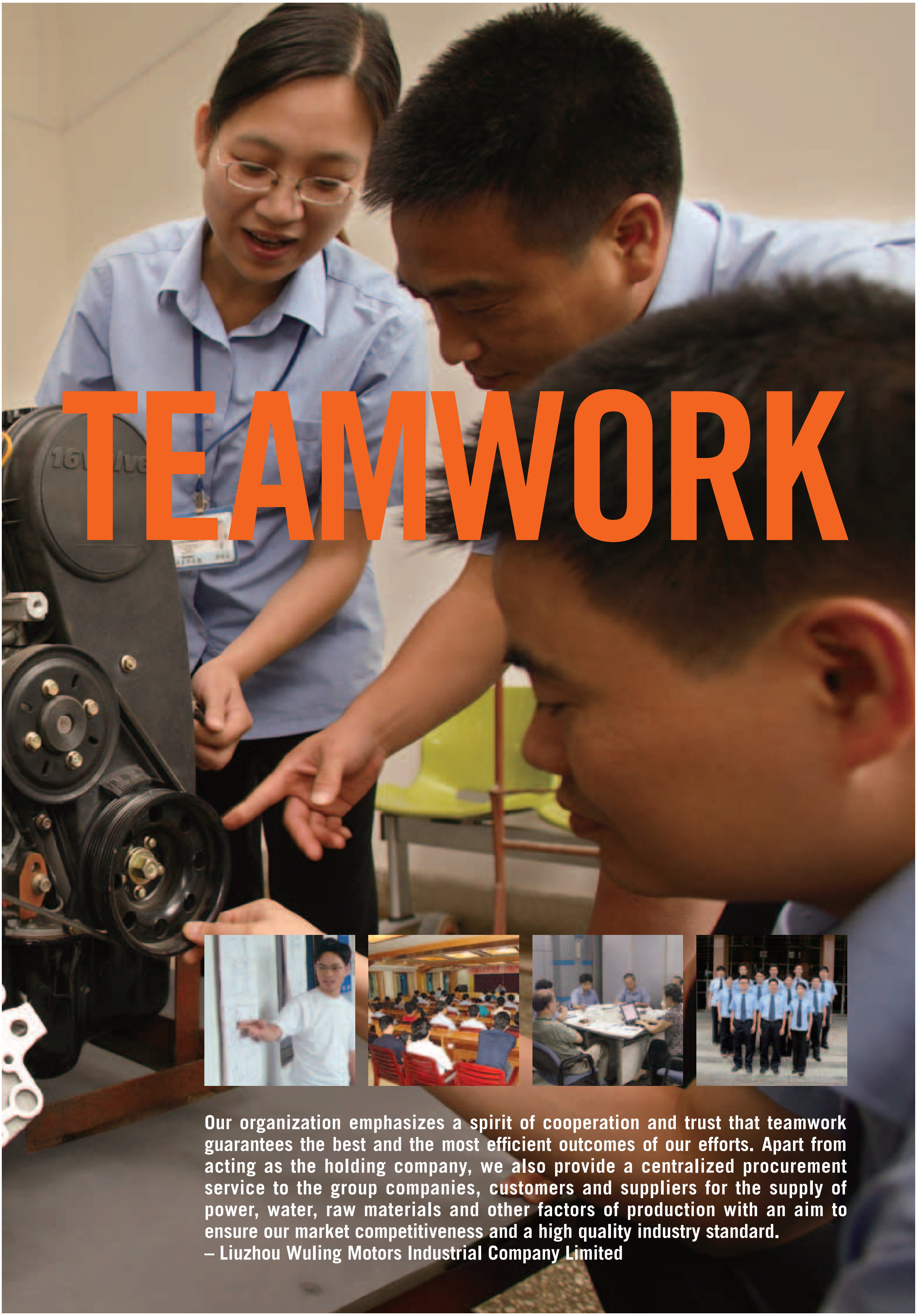
Our factories design and manufacture key automotive components and accessories which comprise the main assembly parts of the chassis including the front suspension, the rear brake swing arm and the brake system, the plastic injection molded parts, other metal stamping and welded parts, seat sets and other automotive accessories. We specialize in serving the needs of the mini-vehicles production and our design and technical team provide effective solutions range from the processes of design, planning, improvement and remodeling. – Liuzhou Wuling Motors United Development Company Limited

VARIETY



Capitalized on our well established car assembly knowhow and experiences, we assemble and supply more than a hundred types of specially-designed vehicles serving the particular needs of our customers. Our products include sightseeing bus, golf cart, police car, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck, etc. Our customers range from government departments, public institutes, private enterprises with different size of operation as well as individuals. – Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited


公交



TEAMWORK

Our organization emphasizes a spirit of cooperation and trust that teamwork guarantees the best and the most efficient outcomes of our efforts. Apart from acting as the holding company, we also provide a centralized procurement service to the group companies, customers and suppliers for the supply of power, water, raw materials and other factors of production with an aim to ensure our market competitiveness and a high quality industry standard.

– Liuzhou Wuling Motors Industrial Company Limited

Segment Review - Engines and parts

Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji")
(柳州五菱柳機動力有限公司)

The manufacturing business of engines and parts is undertaken by Wuling Liuji which history can be traced back to 1928, at that time when Wuling Liuji was originally known as Liuzhou Machinery Factory.

The factories of Wuling Liuji occupy a total floor area of nearly 1 million sqm., with a total workforce of approximately 2,000 as at the end of 2007, in which over 400 are technical and management staff.

Wuling Liuji produces diesel and petrol engines for motorbikes and automobiles with capacity ranges from 0.65L to 2.4L. The main stream products have already qualified the National Emission Standard III. Annual production for the year 2007 was approximately 500,000 units. Total capacity at present is nearly 800,000 units a year.

Wuling Liuji is currently the No.1 engines producer in the PRC for the mini-vehicles market. The market share achieved for the year 2007 is close to 40%. The number of users of Wuling Liuji's engines in the PRC has accumulated to more than 2 million by end of 2007, who have been properly serviced and supported by more than 280 after sale service centers across 8 main regions in China.

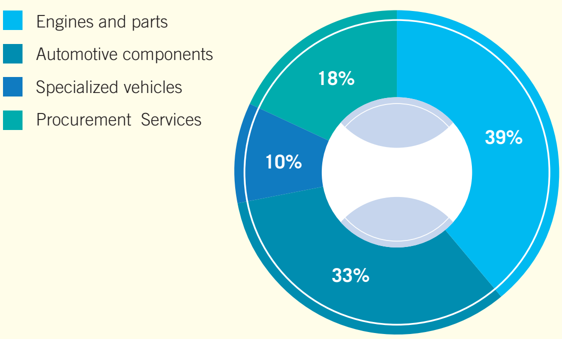
Wuling Liuji's commitment to the standard service of "Reply within 2 hours and Arrive within 24 hours" has earned a renowned reputation in the market. Other industry recognitions earned in recent years include Top 500 Industrial Machinery Enterprises, Top 100 Automobile Components Industrial Enterprises and the Best Supplier of SAIC-GM-Wuling Automobile Co., Ltd.（上汽通用五菱汽車股份有限公司）("SGMW").

Turnover of the engines and parts division for the four months ended 31 December 2007 was RMB 1,101,192,000 with a segmental share of 38.6%. Operating profits for the respective period was RMB 77,143,000 with a segmental share of 70.8%.

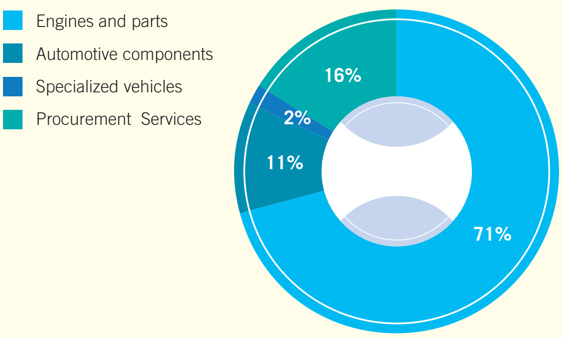
Wuling Liuji was the major contributor to the Group's turnover and operating profits for the year 2007. However, yearly performance was affected by the pricing pressure from the customers and increasing costs. Besides, the expenses incurred for the research and development project of a new engine model had also reduced the operating profits of this division in the respective period.

Wuling Liuji's commitment to the standard service of "Reply within 2 hours and Arrive within 24 hours" has earned a renowned reputation in the market.

Turnover



Operating Profit



Main development in the year ahead will be the start-up operation of the production plant for the nonferrous metallic parts for the engine's cylinder. The project is established with the objective to enhance profitability by producing the outsourced components in house as well as to provide an extension of services to customers. This production plant will have an annual capacity of approximately 200,000 units.

At the same time, Wuling Liuji is currently undertaken several research and development projects to improve the quality standard of the products and to pursue future business opportunities. The main models under the research and development project are of capacity range from 1.3L to 1.5L. This product range is determined in consideration of our existing customer base as well as the increasing demands which will arise in the market during the course of economic growth cycle in China.

Looking ahead, pricing pressure from customers and increasing costs are expected to affect the industry continuously. However, Wuling Liuji is confident to keep its profitability through a strategy of vertical integration by lowering the cost of production. In addition, Wuling Liuji will also take up suitable new product development projects in order to capture future business opportunities.

Segment Review - Automotive components

Liuzhou Wuling Motors United Development Company Limited ("Wuling United")
(柳州五菱汽車聯合發展有限公司)

The manufacturing business of automotive components and accessories is undertaken by Wuling United which was formed in 2001.

The factories of Wuling United occupy a total floor area of approximately 280,000 sqm., with a total workforce of 2,400 as at the end of 2007, in which about 670 are technical and management staff.

There are six main factories operated under Wuling United. These include the car axle factory, the brake factory, the plastic injection factory, the welding parts factory, the car seat factory and the automotive accessories factory. Their products cover six main modules with more than a hundred different varieties which includes the main assembly parts of the chassis such as the front suspension, the rear brake swing arm and the brake system, the plastic injection molded parts, other metal stamping and welded parts, seat sets and other automotive accessories, etc. Annual production for the year 2007 was approximately 520,000 units. Total capacity at present is approximately 800,000 units a year.

With its long and established industry experiences, Wuling United is particularly strong in product design and development. Their capability in supplying a wide range of products provides a one-stop shop service to the customers, whereas, the scalability of its production facilities ensures the particular needs of our key customer can be properly taken care of.

Wuling United is qualified with the required industrial standard such as ISO/TS16949 and OHSMS. It also earns a number of recognitions in the industry which includes the Top 100 Automobile Components Industrial Enterprises and the Best Supplier of SGMW.

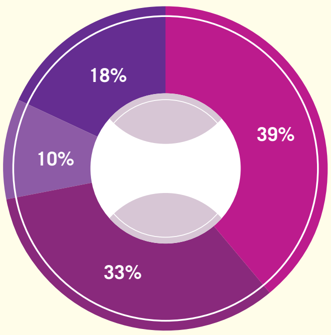
Turnover of the automotive components and accessories division for the four months ended 31 December 2007 was RMB 938,127,000 with a segmental share of 32.9%. Operating profits for the respective period was RMB 12,111,000 with a segmental share of 11.1%.

Overall, same as the engines and parts division, yearly performance was affected by the negative factors of pricing pressure from the customers and increasing costs. These negative impacts were partly offset by a larger scale of operation resulting from business expansion and the upstream transfer of the pricing and cost pressures.

Strategically, Wuling United will focus on new models development for business expansion and to promote efficiency through further integration for improvement of margin performances.

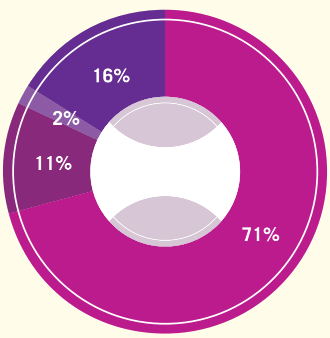
Turnover

- Engines and parts
- Automotive components
- Specialized vehicles
- Procurement Services



Operating Profit

- Engines and parts
- Automotive components
- Specialized vehicles
- Procurement Services



Main developments in the year ahead will be the commencement of operation of the new Tsingtao factory which is established to serve the customers' demands in the northern part of the PRC and the new integrated production facilities for the car axle and brake factories which is established with the ultimate aim to upgrade product quality and enhance efficiency.

Looking ahead, the continuous growth of business of our key customer will benefit our revenue. Though pricing pressure from customers is expected to continue, Wuling United is optimistic to maintain profitability due to larger scale operations and the corresponding policy of upstream transfer of the pricing and cost pressures. Besides, regulatory measures implemented by the government to cool down the economy are also anticipated to cause the cost pressures to be less severe in the coming year.

Strategically, Wuling United will focus on new models development for business expansion and to promote efficiency through further integration for improvement of margin performances.

Segment Review - Specialized vehicles

Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles")（柳州五菱專用汽車製造有限公司）

The manufacturing business of specialized vehicles is undertaken by Wuling Specialized Vehicles which was established in 2003.

The factories of Wuling Specialized Vehicles occupy a total floor area of approximately 35,000 sqm., with a total workforce of approximately 300 as at the end of 2007, in which about 70 are technical and management staff.

Wuling Specialized Vehicles operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. Wuling Specialized Vehicles produces more than a hundred different types of specially-designed vehicles which serves the particular needs of customers, such as sightseeing bus, golf cart, police car, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Total capacity at present is about 25,000 vehicles a year.

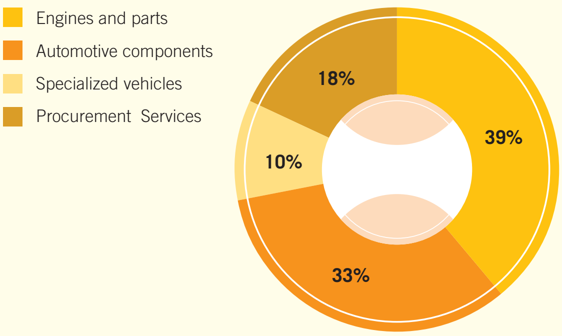
The capability of Wuling Specialized Vehicles in the car assembly industry is originated from the long-standing industry experiences of Wuling. In fact, the models designed and developed by Wuling Specialized Vehicles are branded as "Wuling", which is itself a benchmark of quality products and services in China.

With the continuous support from other fellow subsidiaries, Wuling Specialized Vehicles can provide a state of the art solution for the specially-designed vehicles market in the PRC. In addition, the strong after sale services support further enhances its competitiveness and its distinctive market position.

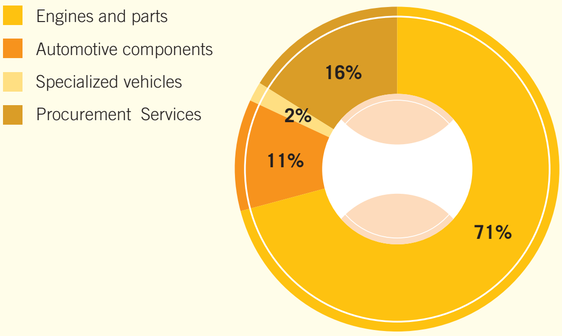
Turnover of the specialized vehicles division for the four months ended 31 December 2007 was RMB 287,848,000 with a segmental share of 10.1%. Operating profits for the respective period was RMB 2,548,000 with a segmental share of 2.3%.

The models designed and developed by Wuling Specialized Vehicles are branded as "Wuling", which is itself a benchmark of quality products and services in China.

Turnover



Operating Profit



Wuling Specialized Vehicles sold approximately 16,000 specialized vehicles in 2007 which comprised mainly redecorated vans and lorries. Being the youngest member in the Wuling Industrial Group which has been in business for less than four years, the development of Wuling Specialized Vehicles has been regarded as satisfactory.

Main development in the year ahead will be on capacity expansion and the launch of new models. Despite a share of less than 10% in the total revenue of the Group, the growth in the sight-seeing type vehicles was encouraging in 2007. This particular type of products, which have better profit margins and great exporting business potential, will be the main focus in our business development strategy.

Currently, resources have been allocated to Wuling Specialized Vehicles, which will work together with the technical center of Wuling Industrial, to roll out a number of new product development projects to pursue business opportunities in this high profitability market segment.

Segment Review - Procurement services

Liuzhou Wuling Motors Industrial Company Limited (“Wuling Industrial”)
(柳州五菱汽車工業有限公司)

Besides acting as the holding company, Wuling Industrial itself maintains a technical centre, a training centre and two operating arms which provide centralized procurement services to the group companies, customers and suppliers for the supply of raw materials, water and power.

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

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

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

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

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

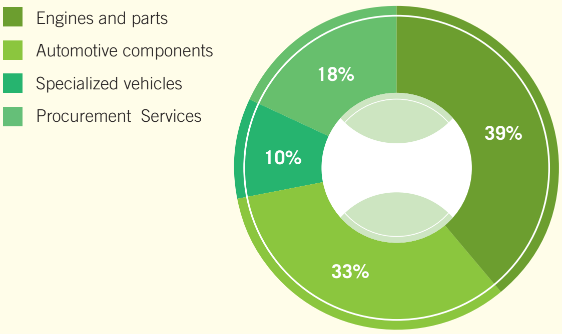
These corporate objectives are closely monitored and effectively carried out by management team of Wuling Industrial who has tremendous industry experiences and extensive business networks.

Turnover of the procurement services division for the four months ended 31 December 2007 was RMB 524,385,000 with a segmental share of 18.4%. Operating profits for the respective period was RMB 17,189,000 with a segmental share of 15.8%.

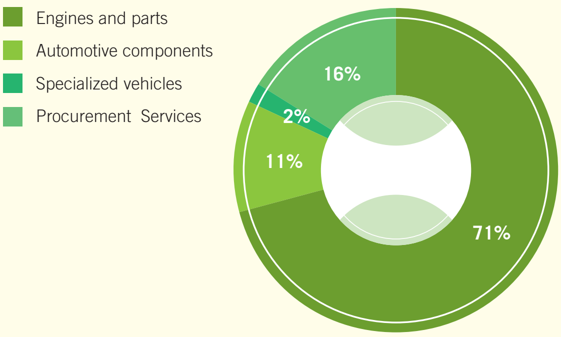
The operating profit from these procurement services was primarily generated from the key customer and suppliers. Wuling Industrial expects this business model will continue to benefit the related entities and will ensure its remarkable core team member position in the business programmes of the key customer and the suppliers.

Wuling Industrial will conscientiously to implement suitable strategies of diversification and integration to achieve the long term growth targets in the automobile industry

Turnover



Operating Profit



Main projects in the year ahead will be the extension works of an infra-structural project for electricity supply and several new business development projects, including one of which is in co-operation with another prominent enterprise in Liuzhou.

Looking ahead, the continuous business expansion of our key customer will continue to be the momentum of our growth. However, the management is also conscious of a relatively the high concentration of business and is pursuing other business opportunities which can promote a balanced development to the Group.

With this in mind, besides acting as the Group's teamwork leader in furthering the existing business activities in co-operation with the key customer, Wuling Industrial will conscientiously to implement suitable strategies of diversification and integration to achieve the long term growth targets in the automobile industry

Management Discussion and Analysis
Operation and Financial Review

SIGNIFICANT DEVELOPMENT

SET UP OF A SINO-FOREIGN JOINT VENTURE ENTERPRISE WITH LIUZHOU WULING AND CHANGE OF THE NAME OF THE COMPANY

On 15 May 2007, the Company entered into the following agreements with Liuzhou Wuling in relation to the proposed formation of a sino-foreign joint venture enterprise for the development of the manufacturing and trading businesses of automotive engines, components and specialized vehicles in the PRC:

a) An agreement in relation to the increase in the registered capital of Wuling Industrial and the subscription of 50.98% of the enlarged registered capital of Wuling Industrial by the Company at the total amount of RMB 391,000,000 ("Subscription Money"); and

b) A joint venture agreement in relation to the establishment of Wuling Industrial as a sino-foreign joint venture enterprise in the PRC.

According to the aforementioned agreements, the Subscription Money shall be payable by the Company in cash in two stages as follows:

i) 20% of the Subscription Money which amounts to RMB 78,200,000 will be payable within 30 days from the set up date of Wuling Industrial as a sino-foreign joint venture enterprise ("First Subscription Money"); and

ii) the remaining 80% of the Subscription Money which amounts to RMB 312,800,000 will be payable within 2 years from the set up date of Wuling Industrial as a sino-foreign joint venture enterprise.

Details of the proposed formation of the sino-foreign joint venture with Liuzhou Wuling have been fully described in the Company's circular dated 25 June 2007.

The proposed investment in Wuling Industrial, which constituted a very substantial acquisition and a connected transaction for the Company under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), was approved by the independent shareholders in the special general meeting of the Company held on 12 July 2007. On 28 August 2007, the Company further announced that the sino-foreign joint venture enterprise had been formally set up. On 31 August 2007, the Company remitted the First Subscription Money to the designated bank account of Wuling Industrial in accordance with the aforementioned agreements, representing approximately 17.2% of the current total paid up capital of Wuling Industrial.

Pursuant to the share sale agreement entered into between the controlling shareholder, Dragon Hill Development Limited and Liuzhou Wuling on 15 May 2007, and after the establishment of Wuling Industrial as a sino-foreign joint venture enterprise, Wuling (Hong Kong) Holdings Limited, a wholly-owned subsidiary of Liuzhou Wuling, acquired approximately 29% issued share capital from Dragon Hill Development Limited on 28 August 2007 and became the second largest shareholder of the Company.

To signify these significant developments to the Group, the name of the Company has been changed to Dragon Hill Wuling Automobile Holdings Limited.

OPERATION REVIEW

Subsequent to the formal setup of Wuling Industrial as a sino-foreign joint venture company controlled by the Company, the principal business activities of the Group have been changed to the following five business segments namely:

- Engines and parts;
- Automotive components and accessories;
- Specialized vehicles;
- Procurement services of raw materials, water and power supply; and
- Others

The information of the four newly acquired business segments and their respective performance and evaluation for the year 2007 have been reported in the segment review section on pages 14 to 21.

The Group maintained the existing financial services and property investment businesses during the year, which under the newly-defined business segments, were grouped together as others. These two divisions in aggregate registered a turnover of RMB 4,904,000 and an operating loss of RMB 1,879,000 for the year.

FINANCIAL REVIEW

Income Statement

During the year, in consequence of the formal setup of Wuling Industrial as a sino-foreign joint venture company controlled by the Company, operating results of Wuling Industrial was consolidated into the Group's accounts commencing from 1 September 2007, in which the respective profits attributable to the equity holders were calculated based on the percentage of the total paid up capital of Wuling Industrial contributed by the Company, which accounted for approximately 17.2% of the operating results of Wuling Industrial for the respective period.

The consolidation of the operating results of Wuling Industrial had led to a significant change in the Group's principal business activities as compared to prior years. Due to this reason, newly-defined business segments were adopted for the segment analyses and the Reminbi was used as the presentation currency in the Company's financial statements.

Group's turnover and net profits for the year were RMB 2,856,456,000 and RMB 74,618,000 respectively which were mainly attributable to the four new business segments namely (1) engines and parts; (2) automotive components and accessories; (3) specialized vehicles; and (4) procurement services of raw materials, water and energy supply. Profits attributable to equity holders for the year were RMB 11,147,000, in which the profits contributed from the operating results Wuling Industrial amounting to approximately RMB 12,200,000 were recorded in accordance with the basis as abovementioned.

Gross margin of the Group was 9.3%, reflecting the keen competition environment in the automobile industry in the PRC. Continuous pricing pressures from the customers and increasing costs had kept the gross margin in a highly competitive level over the years.

Other income comprised primarily sales of scrap materials of RMB 19,567,000 and bank interest income of RMB 12,604,000 was in aggregate RMB 36,488,000 for the year. The increase was a result of the consolidation of Wuling Industrial as aforementioned.

In addition, the Group also recorded a net gain on held-for-trading investments of RMB 8,982,000 and an appreciation in the value of investment properties amounting to RMB 5,152,000 taking the advantages of a better market condition in the year.

Distribution costs of the Group comprised primarily transportation costs and various marketing expenses were in aggregate of RMB 28,784,000 for the year. The increase was a result of the consolidation of Wuling Industrial as aforementioned.

Administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, warranty expenses and research and development expenses were in aggregate RMB 172,139,000 for the year. Again, it reflected the consolidated results of Wuling Industrial.

Finance costs for the year amounted to RMB 17,221,000. The increase was attributable to the inclusion of the interest expenses incurred by the members companies of the Wuling Industrial Group for their daily operations as well as the new bank loans drawn down by the Group for the first tranche capital injection to Wuling Industrial.

Effective tax rate of the Group for the year was 23.2%, representing primarily the corporate income tax applicable to the members companies of the Wuling Industrial Group, in which some of them are entitled to the preferential tax scheme offered by the government to the manufacturing enterprises located in specific regions in the western part of the PRC.

Earnings per share for the year, taking into account of the dilution effect of the issue of the 150,000,000 new shares from the conversion of warrants in May 2007, was RMB 1.23 cents.

Balance sheet

As at 31 December 2007, the total assets and liabilities of the Group stood at RMB 4,462,984,000 and RMB 3,882,295,000 respectively.

Non-current assets amounted to RMB 530,490,000 which comprised mainly property, plant and equipment.

Current assets amounted to RMB 3,932,494,000 comprised mainly inventories of RMB 432,603,000, trade and other receivables of RMB 2,586,718,000, bank and cash balances (inclusive of pledged bank deposits) of RMB 903,651,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB 1,863,844,000 was recorded as trade and other receivables in the balance sheet. These receivable balances were subject to normal and commercial settlement terms. Total cash and bank balances amounted to RMB 903,651,000, in which RMB 302,034,000 were pledged bank deposits to secure the banking facilities offered to the Group. Overall, the Group had cash (excluding pledged bank deposits) net of borrowings amounting to RMB 478,096,000 as at 31 December 2007.

Current liabilities amounted to RMB 3,848,856,000 comprised mainly trade and other payables of RMB 2,212,874,000. Amount due to related companies of RMB 1,413,991,000, provision for warrarty of RMB 64,279,000, tax liabilities of RMB 67,420,000 and bank borrowings – due within one year of RMB 90,005,000. Amount due to Liuzhou Wuling, the former holding company and the joint venture partner of Wuling Industrial which amounted to RMB 1,405,695,000 was recorded under current liabilities. These amounts were mainly arisen from the dividend declared by Wuling Industrial before the set up of the sino-foreign joint venture.

Non-current liabilities amounted to RMB 33,439,000 comprised mainly bank borrowings.

Group borrowings increased to RMB 123,521,000 as at 31 December 2007 from RMB 17,495,000 as at 31 December 2006 as a result of the inclusion of the bank borrowings of the Wuling Industrial Group in consequence of the consolidation and the new bank loans drawn down by the Group for the first tranche capital injection to Wuling Industrial.

At 31 December 2007, the Group had a gearing ratio of 21.3% calculated based on the Group's total bank borrowings and the Group's net assts.

Issued capital increased from RMB 3,069,000 as at 31 December 2006 to RMB 3,659,000 as at 31 December 2007 reflecting the issue of 150,000,000 new shares from the conversion of warrants in May 2007.

Total shareholders' equity increased to RMB 108,576,000 as at 31 December 2007 compared to RMB 33,364,000 in the previous year. Net asset value per share also rose by approximately 172% to RMB 11.8 cents as at 31 December 2007 from RMB 4.3 cents as at 31 December 2006.

Pledge of assets

As at 31 December 2007, the office premises and the investment properties held by the Group with an agrregate value of RMB 30,619,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB 302,034,000 were pledged to the banks to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

Exposure to fluctuation in exchange rates

In consequence of the consolidation of the financial statements of Wuling Industrial to the Group, which assets, liabilities and transactions were primarily denominated in RMB, the presentation currency in the Company's financial statements has been changed to RMB.

As at 31 December 2007, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB 56,310,000, Hong Kong dollar bank deposits of an aggregate amount of RMB 6,516,000, foreign currency and Hong Kong dollar loan and trade receivable of RMB 16,296,000, and Hong Kong dollar trade payable of RMB 16,142,000. In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be minimal.

Commitments

As at 31 December 2007, the Group has oustanding commitments, contracted but not provided for in the financial statements, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB 98,278,000.

Remuneration of employees

As at 31 December 2007, the Group had approximately 5,100 employees, including directors. Total staff costs for the year were approximately RMB 99,050,000. The remuneration policy was reviewed in line with the current applicable legislation, market conditions as well as the performance of the Company and the individual.

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

Mr. LEE Shing

Mr. Lee, aged 50, our Chief Executive Officer and Chairman of the board of director, was appointed as executive director of the Company on 22 June 2006. Mr. Lee has extensive experiences in the trading and manufacturing businesses in Hong Kong and the PRC. He is currently a member of the Committee of The Chinese People's Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is the sole shareholder and sole director of Dragon Hill Development Limited, the controlling shareholder of the Company.

Mr. HE Shiji

Mr. He Shiji, aged 59, our Vice Chairman of the board of director, was appointed as executive director of the Company on 10 September 2007. Mr. He obtained a master degree in business administration from the University of Western Sydney in 1999 and is a senior engineer. Mr. He has more than 30 years of experience in the engineering and automobile manufacturing industries. He is currently the chairman of Liuzhou Wuling, a substantial shareholder of the Company and the chairman of Wuling Industrial, our principal subsidiary engages in the production of motor vehicles' engines, automotive components and specialized vehicles. Mr. He also serves as the vice chairman of SGMW（上汽通用五菱）, a joint venture formed by Shanghai Automobile Industry (Group) Company, General Motors China and Liuzhou Wuling, our major customer in the automotive engines and components business, in which Liuzhou Wuling has a 15% shareholding interests.

Mr. SUN Shaoli

Mr. Sun Shaoli, aged 52, was appointed as executive director of the Company on 10 September 2007. Mr. Sun obtained a master degree in business administration from Harbin Industrial University（哈爾濱工業大學）in 1988 and is a senior economist. Mr. Sun has about 25 years' experience in the automobile manufacturing industry. He is currently a director of Liuzhou Wuling, a substantial shareholder of the Company and is a director of Wuling Industrial, our principal subsidiary. Besides, Mr. Sun also serves as the deputy general manager of SGMW（上汽通用五菱）, our major customer in the automotive engines and components business.

Mr. WEI Hongwen

Mr. Wei Hongwen, aged 45, was appointed as executive director of the Company on 10 September 2007. Mr. Wei obtained a master degree in economics from Sun Yat-Sen University（中山大學）in 1995 and is a senior engineer. Mr. Wei has about 25 years' experience in the automobile manufacturing industry. He is currently a director of Liuzhou Wuling, a substantial shareholder of the Company and is the general manager of Wuling Industrial, in charge of the daily operation of our automotive engines and components business.

Ms. LIU Yaling

Ms. Liu, aged 32, was appointed as executive director of the Company on 22 June 2006. Ms. Liu graduated from 長春光學精密機械學院 (Changchun Institute of Optics and Fine Mechanics) (currently known as "長春理工大學 (Changchun University of Science and Technology)") and is a qualified accountant in the PRC. Ms. Liu gains her working experiences in the automobile manufacturing industry and has approximately 9 years of experience in the finance and accounting profession in the PRC.

Mr. WANG Shaohua

Mr. Wang, aged 71, was appointed as executive director of the Company on 3 August 2006. Mr. Wang has extensive experience in the automobile manufacturing industry in the PRC. Prior to his joining to the Group, Mr. Wang worked for a number of motor vehicle and components manufacturers in the PRC as senior management for many years.

Mr. PEI Qingrong

Mr. Pei, aged 71, was appointed as executive director of the Company on 3 August 2006. Mr. Pei is an engineer and has extensive experience in the automobile manufacturing industry in the PRC. Prior to his joining to the Group, Mr. Pei worked for a number of machinery and equipment manufacturers in the PRC as senior engineer for many years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Xiumin

Mr. Yu, aged 47, was appointed as an independent non-executive director of the Company on 22 June 2006. Mr. Yu holds a doctorate degree in engineering and has extensive experiences in the research and teaching aspects of the automobile engineering. Mr. Yu is currently a member of Audit Committee and Remuneration Committee.

Mr. ZUO Duofu

Mr. Zuo, aged 64, was appointed as an independent non-executive director of the Company on 22 June 2006. Mr. Zuo graduated from Department of Journalism of 暨南大學 (Jinan University). Mr. Zuo has over 25 years of experience in the media industry in the PRC. He is currently a representative of 廣東作家代表大會協會 (Congress of Writers' Representatives in Guangdong) and a member of president group of 廣東作家協會 (Guangdong Writer Association). Mr. Zuo is currently the chairman of Remuneration Committee and a member of Audit Committee.

Mr. CHENG Kin Wah Thomas

Mr. Cheng, aged 42, was appointed as independent non-executive director on 22 June 2006. Mr. Cheng graduated from the Hong Kong Polytechnic University with a Professional Diploma in Accountancy. Mr. Cheng is an associate member of the Hong Kong Institute of Certified Public Accountants in Hong Kong and The Institute of Chartered Accountants in England and Wales. Mr. Cheng had extensive experience in the field of auditing and accounting. Mr. Cheng is currently the chairman of Audit Committee and a member of Remuneration Committee.

SENIOR MANAGEMENT

Mr. LAI Shi Hong Edward

Mr. Lai, aged 43, our Chief Financial Officer, was appointed as company secretary and qualified accountant of the Company on 31 January 2007. Mr. Lai is responsible for overseeing our finance, accounting and company secretarial functions. Mr. Lai has more than 20 years of experience in finance, accounting and business management, specializing in the stock broking and corporate finance aspects. Mr. Lai graduated from the University of Hong Kong. He is currently a Member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales and a Fellow Member of the Association of Chartered Certified Accountants.

Mr. ZHONG Xianhua

Mr. Zhong, aged 49, currently deputy general manager of Wuling Industrial and a director and the general manager of Liuzhou Wuling Motors United Development Company Limited, both of them principal subsidiaries of the Company. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer. Mr. Zhong has engaged in automobile manufacturing industry in PRC since he joined Liuzhou Wuling in 1997. He has over 20 years of extensive experiences in the production, marketing and corporate management of the automotive components industry.

Mr. WEN Daizhi

Mr. Wen, aged 44, currently deputy general manager of Wuling Industrial and a director and the general manager of Liuzhou Wuling Liuji Motors Company Limited, both of them principal subsidiaries of the Company. Mr. Wen graduated from the Engineering Thermophysics Department of Tianjin University majoring in combustion engine - internal. His profession is senior engineer. Mr. Wen has engaged in automobile manufacturing industry in PRC since he joined Liuzhou Wuling in 1985. He has over 20 years of extensive experiences in the production, marketing and corporate management of the automotive engines industry.

Mr. LIU Dexiang

Mr. Liu, aged 45, currently deputy general manager in charge of the human resources department of Wuling Industrial and deputy general manager of Liuzhou Wuling Motors United Development Company Limited, both of them principal subsidiaries of the Company. Mr. Liu is a master degree graduate of the Faculty of Industrial Engineering in the Huazhong University of Science and Technology. His profession is senior engineer. Mr. Liu has engaged in automobile manufacturing industry in PRC since he joined Liuzhou Wuling in 1993. He has about 15 years of extensive experiences in human resources and corporate management.

Mr. ZHANG Zhengxiang

Mr. Zhang, aged 58, currently general manager and chief engineer of the technical department of Wuling Industrial, principal subsidiary of the Company. Mr. Zhang is also a director of Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited, Liuzhou Wuling Motors United Development Company Limited and Liuzhou Wuling Liuji Motors Company Limited. Mr. Zhang graduated in the Faculty of Mechanics in the Guangxi Radio and TV University. His profession is senior engineer. Mr. Zhang has engaged in automobile manufacturing industry in PRC since he joined Liuzhou Wuling in 1982. He has about 26 years of extensive experiences in the aspects of automobile research and technology development.

Corporate Governance Report

The board of Directors ("Board") of the Company is pleased to present this Corporate Governance Report in the annual report for the year ended 31 December 2007.

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 on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

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

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

The Company has applied the Principles and the Code Provisions as set out in the CG Code and complied with most of the Code Provisions save for certain deviation from the Code Provisions in respect of A.2.1, details of which will be explained below.

During the year the Company reviewed regularly its corporate governance practices to ensure compliance with the CG Code.

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

THE BOARD

Responsibilities

The overall management of the Company's business is 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 should take decisions objectively in the interests of the Company.

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

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

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

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

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

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

Composition

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

The Board of the Company comprises seven Executive Directors namely Mr. Lee Shing (Chairman and Chief Executive Officer), Mr. He Shiji (Vice Chairman), Mr. Sun Shaoli, Mr. Wei Hongwen, Ms. Liu Yaling, Mr. Wang Shaohua and Mr. Pei Qingrong, and three Independent Non-Executive Directors namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Cheng Kin Wah Thomas. The biographical details of these directors are set out in the section headed "Directors' and Senior Management's Biographies" in this annual report.

Mr. He Shiji, Mr. Sun Shaoli and Mr. Wei Hongwen were appointed during the year on 10 September 2007. They were nominated by Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), a substantial shareholder of the Company, following the completion of the acquisition a substantial shareholding interests in the Company by Liuzhou Wuling and the formation of the sino-foreign joint venture company, namely Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") between the Company and Liuzhou Wuling. The Board processed these nominations by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. Relevant resolutions relating to the appointment of the three new Executive Directors were proposed and approved by the Board during the year.

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

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

The Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

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

Appointment and Re-election of Directors

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

The Company has entered into service contracts with all the Independent Non-Executive Directors for a specific term of three years who are also required to retire by rotation in accordance with the Company's Bye-laws.

During the year, the Company's Bye-laws were amended to comply with Code Provision A.4.2 which stipulates that all directors appointed to fill a casual vacancy should be subject to retirement and re-election by shareholders at the first general meeting after their appointment. The Company's Bye-laws also requires that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-Executive Directors.

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

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

In accordance with the Company's Bye-laws, Messrs. He Shiji, Sun Shaoli and Wei Hongwen who were appointed as Directors of the Company during the year, shall retire and being eligible, offer themselves for re-election at the forthcoming 2008 Annual General Meeting of the Company. Messrs. Lee Shing, Liu Yaling and Cheng Kin Wah Thomas shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming 2008 Annual General Meeting.

The Board recommended the re-appointment of all retiring Directors standing for re-election at the forthcoming 2008 Annual General Meeting of the Company.

The Company's circular dated 29 April 2008 contains detailed information of all retiring Directors standing for re-election.

Training for Directors

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

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

Board Meetings

Number of Meetings Held and Attendance

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

During the year ended 31 December 2007, a total number of 5 regular and ad hoc Board meetings, 3 Audit Committee meetings and 2 Remuneration Committee meetings were held by the Company.

The individual attendance records of each Director at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 December 2007 are set out below:

	Attendance/Number of Meetings (Note)		
Name of Directors	Board Meeting	Audit Committee	Remuneration Committee
Lee Shing	5/5	N/A	N/A
Liu Yaling	5/5	N/A	N/A
Wang Shaohua	5/5	N/A	N/A
Pei Qingrong	5/5	N/A	N/A
Yu Xiumin	5/5	3/3	2/2
Zuo Duofu	4/5	3/3	2/2
Cheng Kin Wah Thomas	5/5	3/3	2/2
He Shiji*	2/2	N/A	N/A
Sun Shaoli*	2/2	N/A	N/A
Wei Hongwen*	2/2	N/A	N/A

* *Appointed on 10 September 2007*

Practices and Conduct of Meetings

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The present Chairman of the Company, Mr Lee Shing also acts as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person do not impair the balance of power and authority between the Board and the management of the Company.

BOARD COMMITTEES

The Board has established 2 committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are disclosed in the website of the Company (www.dhwuling.com) and are available to shareholders upon request.

The members of each Board committees at present are all Independent Non-Executive Directors and the list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" in this annual report.

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

Remuneration Committee

The Remuneration Committee currently comprises three Independent Non-Executive Directors including Mr Zuo Duofu (Chairman of Remuneration Committee), Mr Yu Xiumin and Mr Cheng Kin Wah Thomas. The biographical details of these directors are set out in the section headed "Directors' and Senior Management's Biographies" in this annual report.

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2007 for reviewing the performance and remuneration packages of the existing Directors and to approve the remuneration packages offered to the three new Directors appointed during the year. The attendance records of the Remuneration Committee are set out under "Board Meetings" on page 31.

Audit Committee

The Audit Committee currently comprises three Independent Non-Executive Directors including Mr Cheng Kin Wah Thomas (Chairman of the Audit Committee), Mr Yu Xiumin and Mr Zuo Duofu, among them one Independent Non-Executive Director possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. The biographical details of these members are set out in the section headed "Directors' and Senior Management's Biographies" in this annual report.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

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

The Audit Committee held three meetings during the year ended 31 December 2007 to review the financial results and reports, financial reporting and compliance procedures, the Company's internal control and risk management review and processes and the resignation and appointment of the external auditors. The attendance records of the Audit Committee are set out under "Board Meetings" on page 31.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 December 2007.

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

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

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

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

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 47.

For the year ended 31 December 2007, the external auditor of the Company only provides audit services to the Company.

An analysis of the remuneration paid to the external auditors of the Company is shown on note 10 to the financial statements on page 77.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such on an annual basis through the Audit Committee.

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

Subsequent to the formal setup of Wuling Industrial, a sino-foreign joint venture company held by the Company and Liuzhou Wuling in August 2007, the principal business activities of the Group have been substantially changed as compared to prior years.

Wuling Industrial, a group of subsidiaries engage in the businesses of the trading and manufacturing of automotive components, engines and the specialized vehicles, have their own internal control systems which are designed and structured in accordance with their specific business and operation functions. An internal audit department is also maintained to carry out the internal audit functions to ensure proper compliance with the internal control systems and to identify the potential risks which may arise in the operation for implementation of appropriate measures and policies. The internal audit department executes their functions based on a year plan and prepares reports of their assignments. These reports are submitted to the boards of the group companies under Wuling Industrial for review on a regular basis.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company acknowledges the importance of maintaining effective communication with the shareholders and the investment community.

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

Mr. Lee Shing, the present Chief Executive Officer and Chairman of the Board attended all the shareholders' meeting of the Company during the year. He will use his endeavours to attend all future shareholders' meetings of the Company.

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

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

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

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be published on the newspaper and the Company's website (www.dhwuling.com) on the business day following the shareholders' meeting at which voting is taken on a poll. Such results will also be posted on the website of the Stock Exchange.

Report of The Directors

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2007.

CHANGE OF COMPANY NAME

Pursuant to a resolution passed at a special general meeting of the Company held on 12 July 2007 and approved by the Registrars of Companies in Bermuda and in Hong Kong, the name of the Company was changed from "Dragon Hill Holdings Limited" to "Dragon Hill Wuling Automobile Holdings Limited" with effect from 18 September 2007.

The Company also adopted "俊山五菱汽車集團有限公司" as its Chinese name for identification purposes only with effect from 18 September 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements.

During the year, the Group acquired 50.98% interest in Liuzhou Wuling Motors Industrial Company Limited（柳州五菱汽車工業有限公司）("Wuling Industrial") for a consideration of RMB391,000,000, Wuling Industrial and its subsidiaries are engaged in manufacturing and trading of engines, automotive components and specialized vehicles.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 49.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified/restated as appropriate, is set out below. The amounts for each year in the five years' financial summary have been adjusted for: (1) the effects of retrospective changes in accounting policy upon adoption of several new and revised accounting standards as disclosed in note 2 to the financial statements; and (2) the change in the presentation currency to RMB as described in note 1 to the financial statements. This summary does not form part of the audited consolidated financial statements.

	Year ended 31 December				
	2007 RMB'000	2006 RMB'000 (Restated)	2005 RMB'000 (Restated)	2004 RMB'000 (Restated)	2003 RMB'000 (Restated)
Revenue	**2,856,456**	16,616	12,971	23,286	8,783
Profit/(loss) before tax	**97,220**	22,085	(8,883)	(6,622)	(12,251)
Income tax expense	**(22,602)**	(19)	(342)	(120)	–
Profit/(loss) for the year	**74,618**	22,066	(9,225)	(6,742)	(12,251)
Attributable for:					
Equity holders of the Company	**11,147**	22,066	(9,225)	(6,742)	(12,251)
Minority Interests	**63,471**	–	–	–	–
	74,618	22,066	(9,225)	(6,742)	(12,251)
Total assets	**4,462,984**	71,071	78,859	85,707	102,236
Total liabilities	**3,882,295**	37,707	(134,888)	(133,702)	(143,518)
Net assets/(liabilities)	**580,689**	33,364	(56,029)	(47,995)	(41,282)

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group revalued all its investment properties at the year end date. The net increase in fair value of the investment properties, which has been credited directly to consolidated income statement, amounted to RMB5,152,000.

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 16 and 19 to the financial statements, respectively.

SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and warrants are set out in note 35 to the financial statements. During the year, all the warrants were exercised, resulting in the Company in the issue of 150,000,000 ordinary shares at an exercise price of HK$0.332 per share.

There was no outstanding warrant at the balance sheet date.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company did not have any reserves available for distribution to shareholders of the Company for both years.

BORROWINGS

Details of the bank borrowings of the Group are set out in note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customer and five largest customers taken together accounted for 68.9% and 70.8% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for 25.6% and 36.6% of the Group's total purchases for the year.

SAIC-GM-Wuling Automobile Co., Ltd.（上汽通用五菱汽車股份有限公司）("SGMW") which Liuzhou Wuling, a substantial shareholder of the Company, holds a 15% interests, is the Group's largest customer and largest supplier.

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

DIRECTORS

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

Executive directors:

Mr. Lee Shing *(Chairman)*
Mr. He Shiji *(Vice Chairman)* (appointed on 10 September 2007)
Mr. Sun Shaoli (appointed on 10 September 2007)
Mr. Wei Hongwen (appointed on 10 September 2007)
Ms. Liu Yaling
Mr. Wang Shaohua
Mr. Pei Qingrong

Independent non-executive directors:

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Cheung Kin Wah, Thomas

The biographical details of the directors of the Company are set out on pages 25 and 26 of this report.

In accordance with Bye-law 91 of the Company, Messrs. He Shiji, Sun Shaoli and Wei Hongwen who were appointed directors of the Company during the year, will retire at the Annual General Meeting, and being eligible, offer themselves for re-election at the Annual General Meeting.

In addition, Mr. Lee Shing, Ms. Liu Yaling and Mr. Cheng Kin Wah Thomas shall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election at the Annual General Meeting pursuant to Bye-law 99(B) of the Company.

The Company has received from each of its independent non-executive directors, his annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Company considers these directors independent.

The terms of appointment of all independent non-executive directors have been fixed for a term of three years but will expire when they are required to retire by rotation in accordance with the Company's Bye-laws. The Company will enter into service contracts with Mr. Cheng Kin Wah Thomas, independent non-executive director, for a specific term of three years following his re-election in the forthcoming annual general meeting of the Company.

DIRECTORS' EMOLUMENTS

Details of the directors' emoluments disclosed on a named basis are set out in note 11 to the financial statements.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all the three Independent Non-Executive Directors for a specific term of three years who are also required to retire by rotation in accordance with the Company's Bye-laws.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), contained in the Listing Rules were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Approximate % of the issued share capital
Mr. Lee Shing	Held by controlled corporation (Note)	280,959,613	30.63

Note:

The 280,959,613 ordinary shares are owned by Dragon Hill Development Limited ("Dragon Hill"), a company wholly-owned by Mr. Lee Shing. Reference is made to the circular of the Company issued on 25 June 2007 (the "Circular") and unless the context herewith otherwise requires, terms used in this note shall have the same meanings as in the Circular. A share charge has been created on the 280,959,613 ordinary shares held by Dragon Hill in favour of 柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited) ("Liuzhou Wuling") pursuant to the execution of the Share Charge Documents on 28 August 2007 in which Dragon Hill has agreed to guarantee and undertake to procure (i) the due performance of the Company under the JV Agreements, and (ii) the Company not to allot and issue any of the new shares of the Company without the prior written consent of Liuzhou Wuling during the Guarantee Period (i.e., the 36 month-period from the date of the Share Charge). According to the Share Sale Agreement, the Share Charge Documents should be executed simultaneously with the completion of the Share Sale Agreement and that if the Company fails to duly perform its obligations pursuant to any of the JV Agreements or if the Company issues any of the new shares in breach of its undertaking, Liuzhou Wuling (or its wholly-owned subsidiary(ies) shall have the right to acquire the Charged Shares (i.e., the 280,959,613 ordinary shares held by Dragon Hill, being all of the shares of the Company held by Dragon Hill upon completion of the Share Sale Agreement which are agreed to be charged to Liuzhou Wuling (or its wholly-owned subsidiary(ies) by Dragon Hill under the Share Charge) from Dragon Hill at the price of HK$0.29 per Charged Shares during the Guaranteed Period.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2007.

SHARE OPTIONS

Particulars of the Company's share option scheme and the movements in share options therein are set out in note 36 to the consolidated financial statements. At 31 December 2007, the Company had no options outstanding under the scheme.

Subsequent to the year end date, on 2 January 2008, a total of 15,320,000 share options were granted and were subsequently accepted by the directors and employees of the Group, in which the following executive directors namely Ms. Liu Yaling, Mr. Wang Shaohua and Mr. Pei Qingrong were granted 350,000 share options each and the following independent non-executive directors namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Cheng Kin Wah Thomas were granted 180,000 share options each. All of the options granted are exercisable from the date of acceptance to 31 December 2009 at an exercise price of HK$2.318 per share.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Other than the share options granted subsequent to the year end date, at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL 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 2007, other than the interests disclosed above in respect of a director, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
Dragon Hill Development Limited (俊山發展有限公司) ("Dragon Hill") (notes 1 and 2)	Beneficial Owner	Corporate	280,959,613	30.63%
五菱（香港）控股有限公司 (Wuling (Hong Kong) Holdings Limited) ("Wuling HK Holdings") (notes 1 and 3)	Beneficial Owner	Corporate	266,500,000	29.05%
五菱汽車（香港）有限公司 (Wuling Motors (Hong Kong) Company Limited) ("Wuling HK") (notes 1 and 3)	Interest in controlled corporation	Corporate	266,500,000	29.05%
柳州五菱汽車有限責任公司 (Liuzhou Wuling Automobile Company Limited*) ("Liuzhou Wuling") (notes 1 and 3)	Interest in controlled corporation	Corporate	266,500,000	29.05%

* For identification purposes only

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
Zhou Sheji ("Mr. Zhou") (note 4)	Beneficial Owner/ controlled interest in corporation	Corporate	91,530,000	9.98%
Gao Bao Development Limited ("Gao Bao") (note 4)	Beneficial Owner	Corporate	90,280,000	9.84%

Notes:

(1) The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee Shing, a director and the controlling shareholder of the Company. Accordingly, this parcel of Shares has also been disclosed as a long position of Mr. Lee Shing under the above section "Directors' Interests in Shares and Underlying Shares".

(2) Reference is made to the circular of the Company issued on 25 June 2007 (the "Circular") and unless the context herewith otherwise requires, terms used in this note shall have the same meanings as in the Circular. A share charge has been created on the 280,959,613 ordinary shares held by Dragon Hill in favour of Liuzhou Wuling pursuant to the execution of the Share Charge Documents on 28 August 2007 in which Dragon Hill has agreed to guarantee and undertake to procure (i) the due performance of the Company under the JV Agreements, and (ii) the Company not to allot and issue any of the new shares of the Company without the prior written consent of Liuzhou Wuling during the Guarantee Period (i.e., the 36 month-period from the date of the Share Charge). According to the Share Sale Agreement, the Share Charge Documents should be executed simultaneously with the completion of the Share Sale Agreement and that if the Company fails to duly perform its obligations pursuant to any of the JV Agreements or if the Company issues any of the new shares in breach of its undertaking, Liuzhou Wuling (or its wholly-owned subsidiary(ies) shall have the right to acquire the Charged Shares (i.e., the 280,959,613 ordinary shares held by Dragon Hill, being all of the shares of the Company held by Dragon Hill upon completion of the Share Sale Agreement which are agreed to be charged to Liuzhou Wuling (or its wholly-owned subsidiary(ies) by Dragon Hill under the Share Charge) from Dragon Hill at the price of HK$0.29 per Charged Shares during the Guaranteed Period.

(3) The entire issued share capital of Wuling HK Holdings is held by Wuling HK, whereas the entire issued share capital of Wuling HK is held by Liuzhou Wuling. Accordingly, Wuling HK and Liuzhou Wuling are deemed to have an interests in the Shares in which Wuling HK Holdings is interested.

(4) The Company also noted from the website of the Stock Exchange that each of Mr. Zhou and Gao Bao has filed disclosure form in respect his/its interest in the issued share capital of the Company pursuant to Section 324 of Part XV of the SFO. The long positions reported by Gao Bao was aggregated in the long positions of Mr. Zhou as Gao Bao was reported as wholly owned by Mr. Zhou.

Other than as disclosed above as at 31 December 2007, the Company has not been notified of any other relevant interests and short position in the shares capital of the Company, which had been recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANT, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions

On 15 May 2007, the Company entered into the following agreements with Liuzhou Wuling in relation to the proposed formation of a sino-foreign joint venture enterprise for the development of the manufacturing and trading businesses of automotive engines, components and specialized vehicles in the PRC (the "JV Agreements"):

a) an agreement in relation to the increase in the registered capital of Wuling Industrial and the subscription of 50.98% of the enlarged registered capital of Wuling Industrial by the Company at the total amount of RMB391,000,000; and

b) a joint venture agreement in relation to the establishment of Wuling Industrial as a sino-foreign joint venture enterprise in the PRC.

Meanwhile, pursuant to a share sale agreement entered into between the controlling shareholder, Dragon Hill and Liuzhou Wuling on 15 May 2007, upon completion of the JV agreements, Liuzhou Wuling or its wholly owned subsidiary(ies) will acquire approximately 29.05% of the total issued share capital of the Company from Dragon Hill and become a substantial shareholder.

The proposed investment in Wuling Industrial constituted a connected transaction for the Company under Chapter 14A of the Listing Rules and was approved by the independent shareholders in the special general meeting of the Company held on 12 July 2007.

Continuing connected transactions

In order to ensure that the business and operation of Wuling Industrial and its subsidiaries (the "Wuling Industrial Group") will not be affected after the setup of Wuling Industrial as a sino-foreign joint venture, Liuzhou Wuling and Wuling Industrial entered into the following agreements subsequent to the formal set up of the joint venture enterprise:

1) a tenancy agreement in relation to 11 parcels of land and 82 buildings to be leased to Wuling Industrial Group for its operation at a monthly rental of RMB2,346,000 for the period from the date of the formal set up of Wuling as a joint venture enterprise ("JV Setup Date") to 31 December 2009;

2) a patent agreement in relation to a total of 158 types of patent rights and know how to be granted to Wuling Industrial Group for its operation at an annual fee of RMB1,300,000 for the period from the JV Setup Date to 31 December 2009; and

3) a trademark agreement in relation to certain registered trademarks to be licensed to Wuling Industrial Group for its operation at an annual fee of RMB2,000,000 for the period from the JV Setup Date to 31 December 2009.

These transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules and were approved by the independent shareholders in the special general meeting of the Company held on 12 July 2007.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors.

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

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

(ii) on arm's length basis, on normal commercial terms and on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

(iii) in accordance with the terms of the agreements governing such transactions.

Save as disclosed herein and in note 44 to the financial statements, (i) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules; (ii) no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive directors including Mr. Zuo Duofu (Chairman of the Remuneration Committee), Mr. Yu Xiumin and Mr. Cheng Kin Wah Thomas.

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

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

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.

PENSION SCHEMES

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code. The Directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2007.

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive directors, including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise.

The summary of duties and works of the audit committee is set out in "Corporate Governance Report" in this annual report.

The consolidated financial statements for the year ended 31 December 2007 have been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

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

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 46 to the financial statements.

AUDITOR

During the year, Deloitte Touche Tohmatsu ("Deloitte") were appointed as the auditor of the Company to fill the causal vacancy occasioned by the resignation of Ernst & Young, who acted as the auditor of the Company for the past three years, to hold office until the conclusion of the forthcoming annual general meeting of the Company. Pursuant to the Companies Act of Bermuda, a shareholder of the Company has given the Company a notice of intention to nominate Deloitte as the auditor of the Company and accordingly, an ordinary resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte as the auditor of the Company.

On behalf of the board

Lee Shing
Chairman

17 April 2008

Independent Auditor's Report

For the year ended 31st December, 2007

Deloitte.
德勤

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

We have audited the financial statements of Dragon Hill Wuling Automobile Holdings Limited (previously known as Dragon Hill Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 107, which comprise the consolidated balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year ended 31 December 2007 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 April 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Revenue	8	**2,856,456**	16,616
Cost of sales		**(2,591,934)**	(11,256)
Gross profit		**264,522**	5,360
Other income	8	**36,488**	35,303
Distribution costs		**(28,784)**	–
Administrative expenses		**(172,139)**	(16,241)
Net gain on held-for-trading investments		**8,982**	961
Share of results of an associate		**220**	–
Increase in fair value on investment properties	19	**5,152**	141
Finance costs	9	**(17,221)**	(3,439)
Profit before taxation	10	**97,220**	22,085
Income tax expense	13	**(22,602)**	(19)
Profit for the year		**74,618**	22,066
Attributable to:			
Equity holders of the Company		**11,147**	22,066
Minority interests		**63,471**	–
		74,618	22,066
Dividends	14	**–**	–
Earnings per share	15		
Basic		**RMB1.26 cents**	RMB6.80 cents
Diluted		**RMB1.23 cents**	RMB6.77 cents

Consolidated Balance Sheet

As At 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Non-Current Assets			
Property, plant and equipment	16	**444,445**	11,641
Prepaid lease payments	17	**2,022**	–
Premium on prepaid lease payments	18	**1,072**	–
Investment properties	19	**19,737**	15,814
Intangible assets	20	**928**	876
Interest in an associate	21	**2,502**	–
Available-for-sale investments	22	**498**	–
Deposits for trading rights		**192**	205
Deposits for acquisition of property, plant and equipment		**59,094**	193
		530,490	28,729
Current Assets			
Inventories	23	**432,603**	–
Loans receivable	24	**2,448**	15,221
Trade and other receivables	25	**2,586,718**	10,514
Prepaid lease payments	17	**49**	–
Held-for-trading investments	26	**1,038**	2,907
Client trust bank accounts	27	**5,987**	6,093
Pledged bank deposits	28	**302,034**	–
Bank balances and cash	28	**601,617**	7,607
		3,932,494	42,342
Current Liabilities			
Trade and other payables	29	**2,212,874**	20,141
Amount due to a shareholder	30	**1,405,695**	–
Amount due to an associate	30	**8,296**	–
Provision for warranty	31	**64,279**	–
Tax liabilities		**67,420**	52
Bank borrowings – due within one year	32	**90,005**	808
Obligations under finance leases – due within one year	33	**287**	–
		3,848,856	21,001
Net Current Assets		**83,638**	21,341
Total Assets Less Current Liabilities		**614,128**	50,070

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Non-Current Liabilities			
Bank borrowings – due after one year	32	**32,504**	16,687
Obligations under finance leases – due after one year	33	**725**	–
Deferred tax liabilities	34	**210**	19
		33,439	16,706
		580,689	33,364
Capital and Reserves			
Share capital	35	**3,659**	3,069
Reserves		**104,917**	30,295
Equity attributable to equity holders		**108,576**	33,364
Minority interests		**472,113**	–
		580,689	33,364

The financial statements on pages 49 to 107 were approved and authorised for issue by the Board of Directors on 17 April 2008 and are signed on its behalf by:

Lee Shing
Chairman

He Shiji
Vice Chairman

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2007

	Attributable to equity holders of the Company												
	Issued capital RMB'000 (note 35)	Convertible preference share RMB'000	Share premium account RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000 Note (i)	Fixed assets revaluation reserve RMB'000	PRC statutory reserve RMB'000 Note (ii)	Capital reserve RMB'000 Note (40)	Other reserve RMB'000	Accumulate losses RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	61,502	–	168,315	–	36,548	1,731	–	–	–	(321,923)	(53,827)	–	(53,827)
Profit for the year and total recognised income and expense for the year	–	–	–	–	–	–	–	–	–	22,066	22,066	–	22,066
Capital reduction	(60,887)	–	–	–	60,887	–	–	–	–	–	–	–	–
Issue of convertible preference shares	–	48,000	–	–	–	–	–	–	–	–	48,000	–	48,000
Released upon disposal of subsidiaries	–	–	–	–	–	(1,731)	–	–	–	1,731	–	–	–
Rights issue	308	–	9,394	–	–	–	–	–	–	–	9,702	–	9,702
Conversion of convertible preference shares	2,023	(48,000)	45,977	–	–	–	–	–	–	–	–	–	–
Issue of shares	123	–	6,125	–	–	–	–	–	–	–	6,248	–	6,248
Share issue expenses	–	–	(1,225)	–	–	–	–	–	–	–	(1,225)	–	(1,225)
Issue of warrants	–	–	–	–	–	–	–	–	2,400	–	2,400	–	2,400
Subtotal	(58,433)	–	60,271	–	60,887	(1,731)	–	–	2,400	1,731	65,125	–	65,125
At 31 December 2006 and 1 January 2007	3,069	–	228,586	–	97,435	–	–	–	2,400	(298,126)	33,364	–	33,364
Exchange difference arising from translation of foreign operation and total expense recognised directly in equity	–	–	–	(3,349)	–	–	–	–	–	–	(3,349)	–	(3,349)
Profit for the year	–	–	–	–	–	–	–	–	–	11,147	11,147	63,471	74,618
Total recognised income and expense for the year	–	–	–	(3,349)	–	–	–	–	–	11,147	7,798	63,471	71,269
Deemed capital contribution	–	–	–	–	–	–	–	18,505	–	–	18,505	408,642	427,147
Share issue expenses	–	–	(20)	–	–	–	–	–	–	–	(20)	–	(20)
Exercise of warrants (note 35)	590	–	50,739	–	–	–	–	–	(2,400)	–	48,929	–	48,929
Transfers	–	–	–	–	–	–	9,085	–	–	(9,085)	–	–	–
Subtotal	590	–	50,719	–	–	–	9,085	18,505	(2,400)	(9,085)	67,414	408,642	476,056
At 31 December 2007	3,659	–	279,305	(3,349)	97,435	–	9,085	18,505	–	(296,064)	108,576	472,113	580,689

Note:

(i) The Group's contributed surplus represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 30 October 1992, over the nominal value of the Company's shares issued in exchange therefore; and (ii) the transfer of the credit arose from the cancellation of the paid-up capital in the reduction of the par value of each issued ordinary share on 19 June 2006.

(ii) According to the relevant laws in the People's Republic of China ("PRC"), the enterprises established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a general reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to offset the previous years losses, if any. The general reserve fund is non-distributable other than upon liquidation.

Consolidated Cash Flow Statement

For The Year Ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Operating Activities			
Profit before taxation		**97,220**	22,085
Adjustments for:			
Allowance on inventories		**8,787**	–
Release of prepaid lease payments		**16**	–
Depreciation of property, plant and equipment		**20,154**	215
Dividend received from equity investments		**(120)**	(22)
Dividend received from available-for-sale investments		**(11)**	–
Finance costs		**17,221**	3,439
Net gain on held-for-trading investments		**(8,982)**	(961)
Gain on disposal of subsidiaries		**–**	(12,408)
Gain on the waiver of loan advances and related interest by former holding companies and a former fellow subsidiary		**–**	(20,074)
Impairment of bad and doubtful debts		**1,174**	–
Reversal of impairment loss of loans and other receivables		**–**	(1,500)
Increase in fair value of investment properties		**(5,152)**	(141)
Interest income		**(12,604)**	(2,514)
Loss on disposal of property, plant and equipment		**832**	–
Share of results of an associate		**(220)**	–
Operating cash flows before movements in working capital		**118,315**	(11,881)
Increase in inventories		**(105,492)**	–
Decrease in loans receivable		**11,790**	1,248
Decrease (increase) in trade and other receivables		**555,923**	(7,561)
Decrease (increase) in held-for-trading investments		**9,663**	(34)
Decrease in client trust bank accounts		**(301)**	(3,295)
(Decrease) increase in trade and other payables		**(567,445)**	16,343
Increase in provision for warranty		**5,101**	–
Cash generated from (used in) operations		**27,554**	(5,180)
Income tax refund		**8,977**	–
Net Cash from (Used in) Operating Activities		**36,531**	(5,180)

	Notes	2007 RMB'000	2006 RMB'000 (restated)
Investing Activities			
Decrease in pledged bank deposits		**448,333**	–
Acquisition of subsidiaries	40	**124,731**	–
Interest received		**12,604**	2,514
Proceeds from disposal of property, plant and equipment		**5,067**	–
Dividend received from held-for-trading investments		**120**	22
Dividend received from available-for-sale investments		**11**	–
Purchases of property, plant and equipment		**(84,282)**	(11,903)
Deposit paid for purchase of property, plant and equipment		**(5,718)**	(193)
Purchases of investment properties		**–**	(15,673)
Disposal of subsidiaries	42	**–**	(694)
Net Cash from (Used in) Investing Activities		**500,866**	(25,927)
Financing Activities			
Repayment of bank loans		**(257,159)**	(131)
Interest paid		**(17,221)**	(3,439)
Share issue expenses		**(20)**	(1,225)
Repayment of obligations under finance leases		**(18)**	–
Advance from a shareholder		**178,455**	–
New bank loans raised		**101,198**	17,626
Proceeds from issue and exercise of warrants		**48,929**	2,400
Advance from an associate		**2,923**	–
Proceeds from rights issue		**–**	9,702
Proceeds from issue of shares		**–**	6,248
Net Cash from Financing Activities		**57,087**	31,181
Net Increase in Cash and Cash Equivalents		**594,484**	74
Cash and Cash Equivalents at Beginning of Year		**7,607**	7,582
Effect of Foreign Exchange Rate Changes, Net		**(474)**	(49)
Cash and Cash Equivalents at End of Year		**601,617**	7,607
Analysis of Balances of Cash and Cash Equivalents			
Cash and bank balances		**601,617**	6,907
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	700
		601,617	7,607

1. GENERAL INFORMATION

The Company is a limited company incorporated in Bermuda under Companies Act 1981 (as amended) of Bermuda and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The addresses of the head office and principal place of business of the Company are located at Unit 505, 5/F., China Insurance Group Building, 141 Dex Voeux Road Central, Hong Kong.

The Company acts as an investment holding company. The details of its subsidiaries are disclosed in note 47.

Prior to 2007, the Group was engaged in securities trading, dealing and brokerage and provision of margin financing, money lending and property investment.

During the year, the Company entered into a joint venture agreement with Liuzhou Wuling Motors Company Limited（柳州五菱汽車有限責任公司）(“ Liuzhou Wuling”) to establish Liuzhou Wuling Motors Industrial Company Limited（柳州五菱汽車工業有限公司）(“Wuling Industrial”). Pursuant to the joint venture agreement, the Company has agreed to subscribe for a 50.98% of the registered capital of Wuling Industrial for a cash consideration of RMB391,000,000 while Liuzhou Wuling subscribed for 49.02% of the registered capital by transferring certain business, assets and liabilities thereto.

Liuzhou Wuling is also a substantial shareholder of the Company.

Following its establishment, Wuling Industrial and its subsidiaries are engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the procurement services of raw materials, water and power supply.

Prior to 2007, the functional currency and presentation currency of the Company is both Hong Kong dollars for the purpose of preparing its consolidated financial statements. Because of the acquisition of Wuling Industrial, the Company has re-examined its functional currency and presentation currency in light of the change in the Group’s source of income, expenses and funding. As a result of this examination, the directors have determined that the functional currency and presentation currency of the Company should now be Renminbi (“RMB”). Accordingly, these financial statements are presented on this basis. The comparative figures for 2006 have also been re-stated to change the presentation currency to RMB accordingly.

The change in presentation currency in 2006 has no material impact in exchange reserve.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation ("Int") 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC) – Int 13	Customer loyalty programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

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

Revenue from sale of goods is recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Commission income on securities dealing is recognised on a trade date basis.

Revenue on trading in securities is recognised on the transaction date when the relevant contract notes have been exchanged.

Dividend income is recognised when the shareholders' rights to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments represented the land use rights which are stated at cost less accumulated amortisation. The cost of land use rights are amortised on a straight line basis over the periods of the rights.

Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, 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 recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period which they are incurred.

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement 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 respective balance sheet dates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted by the respective balance sheet dates. Deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets acquired separately

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from de-recognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is de-recognition.

The intangible assets of the Group representing the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and The Philippines Stock Exchange, Inc., have indefinite useful lives.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Research and development expenditures

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 asset, or, where appropriate, a shorter period.

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

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

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loans receivable, trade and other receivables, client trust bank accounts, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted.

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to related companies, amount due to an associate, amount due to a shareholder, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments, including shares and warrants, issued by the Company are recorded at the proceeds received, net of direct issue cost.

Convertible preference shares

Convertible preference shares that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as equity instrument and are stated at subscription proceeds and included in shareholder's equity, net of transaction costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees (after 7 November 2002 and vested on or after 1 January 2005)

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

At each balance sheet date, 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, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised 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 recognised in share option reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, 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 recognised 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 the key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for trade receivables

The assessment of the impairment loss on trade receivables of RMB6,204,000 (2006: RMB15,232,000) of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value.

5. 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 shareholder's through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which includes the bank borrowings as disclosed in note 32, and equity attributable to equity holders 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, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 RMB'000	2006 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,420,681**	38,391
Available-for-sale financial assets	**498**	–
Held-for-trading investments	**1,038**	2,907
Financial liabilities at amortised cost	**2,927,264**	34,639

(b) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, client trust bank accounts, pledged bank deposits, bank balances, trade and other payables, amount due to an associate, amount due to a shareholder, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

(i) Currency risk

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

The carrying amount of the Group's foreign currency denominated monetary liabilities in bank borrowings at the reporting dates is as follows:

	2007 RMB'000	2006 RMB'000
Liabilities		
HK dollars	**47,403**	17,495
Euro	**8,907**	–

6. FINANCIAL INSTRUMENTS (continued)

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

(i) *Currency risk (continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi against Euro and HK dollars. 5% is the sensitivity rate used by management for the assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. There will be an increase in profit for the year where Renminbi strengthens against Euro and HK dollars and vice versa.

	2007 **HK$'000**	2006 HK$'000
Impact on profit or loss		
– HK dollars	**1,918**	708
– Euro	**360**	–
	2,278	708

(ii) *Interest rate risk*

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's bank balances also have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest bearing bank balances are within short maturity periods. It is the Group's policy to keep its borrowings at a mixture of floating rate fixed rate of interest so as to minimise the fair value interest rate risk.

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

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable rate borrowings and bank deposits at the balance sheet date 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 profit for the year ended 31 December 2007 would increase by RMB3,260,000 (2006: decrease by RMB16,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and borrowings.

6. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the respective balance sheet date in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date 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.

Other than SAIC-GM-Wuling Automobile Co., Ltd.（上海通用五菱汽車股份有限公司）("SGMW") (note 25), the Group has no significant SGMW concentration of credit risk on customers. Through participation by Liuzhou Wuling in the management of SGMW, the management of the Group closely monitors the recoverability of the receivable from SGMW.

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

(iv) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Company. 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. The table includes both interest and principal cash flows. The adjustment column represent the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities on each balance sheet date.

6. FINANCIAL INSTRUMENTS (continued)

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

(iv) Liquidity risk (continued)

	Weighted average effective interest rate %	0-30 days RMB'000	31-90 days RMB'000	91-365 days RMB'000	1-5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2006							
Non-interest bearing	–	1,328	12,902	2,914	–	17,144	17,144
Variable interest rate instruments	5.70%	67	135	607	17,683	18,492	17,495
		1,395	13,037	3,521	17,683	35,636	34,639
As at 31 December 2007							
Non-interest bearing	–	**661,709**	**573,775**	**1,568,259**	**–**	**2,803,743**	**2,803,743**
Fixed interest rate instruments	6.10%	**24**	**48**	**72,627**	**8,647**	**81,346**	**76,118**
Variable interest rate instruments	5.57%	**305**	**610**	**22,445**	**26,672**	**50,032**	**47,403**
		662,038	**574,433**	**1,663,331**	**35,319**	**2,935,121**	**2,927,264**

(c) Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transaction as input.

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

7. SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is currently organised into the following five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

- Manufacture and sale of engines and parts
- Manufacture and sale of automotive components and accessories
- Manufacture and sale of specialized vehicles
- Procurement services of raw materials, water and power supply
- Others

Following the acquisition of Wuling Industrial in 2007, the Company re-examined its segment reporting and combined all of its business segments in 2006 (which includes securities trading, dealing and brokerage and provision of margin financing, money lending and property investment) into one segment under "others" as all of these business segments are no longer separately reportable segments in 2007. Accordingly, the business segments information for 2006 has not been presented as under the new business segment reporting basis, all of the businesses of the Group in 2006 are included in "others" segment.

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Procurement services RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2007							
Turnover							
External sales	1,101,192	938,127	287,848	524,385	4,904	–	2,856,456
Inter-segment sales	–	123	–	504,580	–	(504,703)	–
Total	1,101,192	938,250	287,848	1,028,965	4,904	(504,703)	2,856,456
Inter-segment sales are charged at prevailing market prices							
Segment results	77,143	12,111	2,548	17,189	(1,879)		107,112
Unallocated income							20,315
Unallocated expense							(13,206)
Share of result of an associate							220
Finance costs							(17,221)
Profit before taxation							97,220
Taxation							(22,602)
Profit for the year							74,618
Other information							
Capital additions	208,399	196,046	22,292	28,974	4,013		459,724
Depreciation	12,166	5,455	984	494	1,055		20,154
Impairment on bad and doubtful debts	811	142	185	–	36		1,174
Amortisation of prepaid lease payments	–	16	–	–	–		16
Loss(gain) on disposal of property, plant and equipment	696	(32)	–	137	31		832
Allowance for inventories	8,787	–	–	–	–		8,787

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Procurement services RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
At 31 December 2007							
Balance sheet							
Assets							
Segment assets	1,323,531	1,699,860	180,542	292,133	62,264		3,558,330
Interest in an associate							2,502
Unallocated corporate assets							902,152
Consolidated assets							4,462,984
Liabilities							
Segment liabilities	940,610	837,026	32,040	451,332	39,940		2,300,948
Unallocated liabilities							1,581,347
Consolidated liabilities							3,882,295

7. SEGMENT INFORMATION (continued)

(b) Geographical segments

The Group's operations are located in Hong Kong, Philippines and PRC (excluding Hong Kong). The following table provides an analysis of the Group's revenue by geographical market based on location of customers, irrespective of the origin of the goods and services.

	Revenue by geographical market	
	2007 RMB'000	2006 RMB'000
PRC (excluding Hong Kong)	**2,851,552**	–
Hong Kong	**4,904**	16,413
Philippines	**–**	203
Consolidated	**2,856,456**	16,616

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Hong Kong	**57,384**	59,870	**4,013**	27,576
Philippines	**10,404**	11,201	**–**	–
PRC	**3,490,542**	–	**455,711**	–
Consolidated	**3,558,330**	71,071	**459,724**	27,576

8. REVENUE AND OTHER INCOME

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

	2007 RMB'000	2006 RMB'000
Sales of goods	**2,851,552**	–
Commission and interest income from securities dealing and margin finance	**4,054**	3,070
Interest income from consumer finance	**–**	1,014
Gross property rental income	**850**	1,164
Proceeds from the sale of held-for-trading investments	**–**	11,368
	2,856,456	16,616
Other income	**36,488**	35,303
	2,892,944	51,919

Details of other income are as follows:

	2007 RMB'000	2006 RMB'000
Gain on disposal of subsidiaries	**–**	12,408
Gain on the waiver of loan advances and related interest by former holding companies and a former fellow subsidiary	**–**	20,074
Sales of scrap materials and parts	**19,567**	–
Foreign exchange gains, net	**–**	199
Machinery rental income	**597**	–
Dividend income from held-for-trading investments	**120**	22
Dividend income from available-for-sale investments	**11**	–
Recovery of bad debts	**748**	977
Bank interest income	**12,604**	100
Reversal of impairment loss of loans and other receivables	**–**	1,500
Others	**2,841**	23
	36,488	35,303

9. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interests on:		
– borrowings wholly repayable within five years	**894**	1
– borrowings not wholly repayable within five years	**1,167**	193
– notes receivable	**15,157**	–
– obligations under finance leases	**3**	–
– amounts due to former holding companies	**–**	3,245
	17,221	3,439

10. PROFIT BEFORE TAXATION

	2007 RMB'000	2006 RMB'000
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments (note 11)	**2,234**	1,526
Other staff costs	**80,524**	3,388
Retirement benefits scheme contributions, excluding directors	**16,292**	73
Total staff costs	**99,050**	4,987
Gross property rental income	**850**	1,164
Direct operating expenses (included repairs and maintenance) arising on rental-earning investment properties	**(62)**	(65)
Net rental income	**788**	1,099
Allowance for inventories (included in cost of sales)	**8,787**	–
Auditors' remuneration	**1,951**	768
Cost of inventories recognised as an expense	**2,583,147**	–
Depreciation of property, plant and equipment	**20,154**	215
Impairment of bad and doubtful debts	**1,174**	–
Loss on disposal of property, plant and equipment	**832**	–
Amortisation of prepaid lease payments (included in administrative expenses)	**16**	–
Research and development expenses (included in administrative expenses)	**48,548**	–

11. DIRECTORS' EMOLUMENTS

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

2007

		Other emoluments		
	Fees RMB'000	Salaries and allowances RMB'000	Contribution to retirement benefits schemes RMB'000	Total emoluments RMB'000
Lee Shing	1,169	213	11	1,393
He Shiji	36	51	–	87
Sun Shaoli	36	3	–	39
Wei Hongwen	36	43	–	79
Liu Yaling	117	10	–	127
Wang Shaohua	117	10	–	127
Pei Qingrong	117	10	–	127
Yu Xiumiu	59	5	–	64
Zuo Duofu	59	5	–	64
Cheng Kin Wah Thomas	117	10	–	127
	1,863	360	11	2,234

2006

		Other emoluments		
	Fees RMB'000	Salaries and allowances RMB'000	Contribution to retirement benefits schemes RMB'000	Total emoluments RMB'000
Lee Shing	630	–	7	637
Liu Yaling	63	–	–	63
Pei Qingrong	50	–	–	50
Wang Shaohua	50	–	–	50
Lim Teong Leong	15	–	–	15
Tam Cheok Wing	15	–	–	15
Ooi Sin Heng	15	500	5	520
Chan Hon Ming Alan	15	–	–	15
Yu Xiumin	32	–	–	32
Zuo Duofu	31	–	–	31
Cheng Kin Wah Thomas	63	–	–	63
Wong Ming Shiang	15	–	–	15
Lim Eng Ho	15	–	–	15
Soo Tho Him Yip	5	–	–	5
	1,014	500	12	1,526

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2006: two) was a director of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining four (2006: three) individual are as follows:

	2007 RMB'000	2006 RMB'000
Salaries and allowances	**3,030**	1,581
Bonus	**66**	83
Contributions to retirement benefits scheme	**61**	60
Total emoluments	**3,157**	1,724

The emoluments of the above individuals were each below HK$1,000,000 for both years.

No emoluments were paid by the Group to the directors 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 each of the two years ended 31 December 2007.

13. INCOME TAX EXPENSE

	2007 RMB'000	2006 RMB'000
Tax charge represents:		
PRC income tax for current year	**22,401**	–
Deferred tax (Note 34)		
Current year	**201**	19
	22,602	19

No provision for Hong Kong Profits Tax has been made for both years as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong.

Pursuant to the tax notice, Caishui [2001] No. 202, other than Wuling Industrial which is subject to PRC income tax rate of 33%, all the major operating subsidiaries of the Group in the PRC are entitled to a preferential income tax rate of 15% because (i) they are located in the western areas of China; (ii) their main business falls into the National Key Encouraged Industry and Technology Catalogue; and (iii) their sale revenue generated from their main business totaled more than 70% of their total income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. All the major operating subsidiaries except for Wuling Industrial of the Group in the PRC will continue to enjoy the preferential tax rate at 15% until 2010, while Wuling Industrial will be subject to tax rate at 25% since 1 January 2008.

13. INCOME TAX EXPENSE (continued)

The taxation for the year can be reconciled to the profit before taxation as follows:

	2007 RMB'000	2006 RMB'000
Profit before taxation	**97,220**	22,085
Tax at the domestic income rate of 15% (2006: 17.5%) (note)	**14,583**	3,865
Tax effect of share of results of an associate	**(33)**	–
Tax effect of expenses not deductible for tax purposes	**2,654**	1,602
Tax effect of income not taxable for tax purposes	**(2,329)**	(6,197)
Tax effect of tax losses not recognised	**1,423**	973
Tax effect of utilisation of tax losses previously not recognised	**(839)**	(224)
Tax effect of different tax rate used by certain subsidiaries	**7,143**	–
Taxation	**22,602**	19

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

Details of movement in deferred tax are set out in note 34.

14. DIVIDENDS

No interim divided was declared or paid during the year. The directors do not recommend the payment of a final divided.

15. EARNINGS PER SHARE

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

	2007 RMB'000	2006 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**11,147**	22,066
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**887,288**	324,679
Effect of dilutive potential ordinary shares:		
Warrants	**21,123**	1,233
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**908,411**	325,912

The computation of diluted earnings per share for 2006 does not assume the conversion of the Company's outstanding convertible preference shares. No diluted earnings per share have been presented because the exercise price of the Company's options was higher than the average market price for shares for 2006.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
AT COST								
At 1 January 2006	–	1,833	–	968	868	650	–	4,319
Additions	10,642	458	–	386	309	108	–	11,903
Disposals	–	(867)	–	(197)	(15)	–	–	(1,079)
Disposal of subsidiaries	–	(1,034)	–	(266)	–	–	–	(1,300)
At 31 December 2006	10,642	390	–	891	1,162	758	–	13,843
Exchange realignment	(754)	(52)	–	(58)	(74)	(72)	–	(1,010)
Acquisition of subsidiaries	12,501	–	316,470	6,145	5,114	7,370	26,813	374,413
Additions	2,337	668	32,657	3,115	1,510	4,303	40,722	85,312
Disposals	–	–	(14,759)	(781)	(405)	(1,377)	–	(17,322)
Transfer	231	–	3,767	–	–	–	(3,998)	–
At 31 December 2007	24,957	1,006	338,135	9,312	7,307	10,982	63,537	455,236
DEPRECIATION AND AMORTISATION								
At 1 January 2006	–	1,697	–	956	865	650	–	4,168
Provided for the year	133	35	–	10	32	5	–	215
Eliminated on disposals	–	(867)	–	(197)	(14)	–	–	(1,078)
Eliminated on disposal of subsidiaries	–	(858)	–	(245)	–	–	–	(1,103)
At 31 December 2006	133	7	–	524	883	655	–	2,202
Exchange realignment	(31)	(8)	–	(37)	(48)	(18)	–	(142)
Provided for the year	930	184	16,656	726	807	851	–	20,154
Eliminated on disposals	–	–	(9,551)	(626)	(330)	(916)	–	(11,423)
At 31 December 2007	1,032	183	7,105	587	1,312	572	–	10,791
CARRYING VALUE								
At 31 December 2006	10,509	383	–	367	279	103	–	11,641
At 31 December 2007	23,925	823	331,030	8,725	5,995	10,410	63,537	444,445

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Included in leasehold land and buildings are certain owner-occupied leasehold land and buildings of approximately RMB10,882,000 (2006: RMB10,509,000) and RMB10,222,800 (2006: Nil) in Hong Kong and the PRC, respectively, where in the opinion of the directors of the Company, allocation between the land and building elements could not be made reliably. The net book value of motor vehicles held under finance leases amounted to RMB1,300,000 (2006: Nil).

17. PREPAID LEASE PAYMENTS

	2007	2006
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current assets	**49**	–
Non-current assets	**2,022**	–
	2,071	–

The amounts represent upfront payments for the right to use land in the PRC for periods between 20 to 50 years.

18. PREMIUM ON PREPAID LEASE PAYMENTS

Premium on prepaid lease payments of the Group represents the fair value adjustment on the prepaid lease payments of the subsidiaries acquired during the year and are amortised over the lease term of the related prepaid lease payments on a straight line basis.

19. INVESTMENT PROPERTIES

	2007 RMB'000	2006 RMB'000
Carrying amount at 1 January	**15,814**	43,920
Exchange realignment	**(1,229)**	–
Disposal of subsidiaries (note 42)	**–**	(43,920)
Additions	**–**	15,673
Net increase in fair value recognised in the income statement	**5,152**	141
Carrying amount at 31 December	**19,737**	15,814

The Group's investment properties are all situated in Hong Kong and are held under long term leases. They are currently leased to third parties under operating leases, further summary details of which are included in note 43 to the financial statements. The fair value of the Group's investment properties at 31 December 2007 has been arrived at on the basis of a valuation carried out on that day by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar transactions.

20. INTANGIBLE ASSETS

	Stock exchange trading rights RMB'000
Cost	
At 1 January 2006	8,675
Exchange realignment	345
At 31 December 2006	9,020
Exchange realignment	192
At 31 December 2007	9,212
Impairment	
At 1 January 2006	7,848
Exchange realignment	296
At 31 December 2006	8,144
Exchange realignment	140
At 31 December 2007	8,284
Carrying Value	
At 31 December 2007	928
At 31 December 2006	876

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

21. INTEREST IN AN ASSOCIATE

	2007 RMB'000	2006 RMB'000
Cost of investment in an associate		
– unlisted equity investment in the PRC	2,282	–
Share of post-acquisition profits and reserves	220	–
	2,502	–

The Group holds a 30% interest in 柳州五菱物流有限公司 which is a limited liability company established in the PRC and is engaged in the business of logistic services.

22. AVAILABLE-FOR-SALE INVESTMENTS

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

23. INVENTORIES

	2007 RMB'000	2006 RMB'000
Raw materials	206,821	–
Work in progress	47,086	–
Finished goods	178,696	–
	432,603	–

24. LOANS RECEIVABLE

Loans receivable comprise margin clients accounts receivable and a consumer finance loan receivable of RMB2,448,000 (2006: RMB8,206,000) and RMB Nil (2006: RMB7,015,000), respectively.

The margin clients accounts receivable are secured by the underlying pledged securities, repayable on demand and bear interest at annual effective rates of 10% – 11% (2006: 11% to 11.25%). No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing.

The consumer finance loan receivable was secured by the pledge properties situated in Hong Kong, repayable on demand and carried interest at annual effective rate of 10% to 10.25%.

At 31 December 2006, the open market value of the pledged properties was approximately RMB9,600,000.

25. TRADE AND OTHER RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables		
– related party (note i)	**1,863,844**	–
– Liuzhou Wuling Group (note ii)	**12,711**	–
– third parties	**553,982**	24,530
	2,430,537	24,530
Less: allowance for doubtful debts	**(6,204)**	(15,232)
	2,424,333	9,298
Other receivables:		
Prepayments	**67,205**	360
Deposits paid	**32,741**	683
VAT receivables	**10,690**	–
Others	**51,749**	173
	162,385	1,216
	2,586,718	10,514

Notes:

(i) The related party is SGMW in which Liuzhou Wuling holds 15% equity interest.

(ii) Being Liuzhou Wuling and its affiliates (collectively referred to as the "Liuzhou Wuling Group").

The aged analysis of the Group's trade receivables as at the balance sheet date are as follows:

	2007 RMB'000	2006 RMB'000
0 – 90 days	**2,405,827**	9,298
91 – 180 days	**13,102**	–
181 – 365 days	**4,320**	–
Over 365 days	**1,084**	–
	2,424,333	9,298

25. TRADE AND OTHER RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired.

	2007 RMB'000	2006 RMB'000
181 – 365 days	**4,320**	–
Over 365 days	**1,084**	–
Total	**5,404**	–

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

Before accepting any new customer, the Group assess the potential customer's credit quality by investigating their historical credit record and define credit limit by customer.

The settlement term of trade receivables arising from the Group's securities dealing and brokerage business is two days after the trade date.

It is the Group's policy to provide fully for all receivables which are past due, i.e. those over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. However, included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB5,404,000 (2006: RMB nil) which are past due at the reporting date for which the Group has not provided impairment loss, as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable as there are continuing subsequent settlement. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts

	2007 RMB'000	2006 RMB'000
Balance at beginning of the year	**15,232**	16,732
Exchange realignment	**506**	–
Acquisition of subsidiaries	**3,099**	–
Impairment losses recognised on receivables	**1,174**	–
Amounts written off as uncollectible	**(13,807)**	–
Amounts recovered during the year	**–**	(1,500)
Balance at end of the year	**6,204**	15,232

The amounts written off as uncollectible are the carrying amount of trade receivables which the Group lost contact with customers and consider the recoverability recoverable on an individual basis to be remote.

26. HELD-FOR-TRADING INVESTMENTS

	2007 RMB'000	2006 RMB'000
Listed equity investments, at market value:		
Hong Kong	**1,038**	685
Elsewhere	**–**	2,222
	1,038	2,907

27. CLIENT TRUST BANK ACCOUNTS

These represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed by the Securities and Futures Ordinance. The Group has classified the clients' monies as client trust bank accounts under the current assets section of the balance sheet and recognised the corresponding accounts payable to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

28. PLEDGED BANK DEPOSITS AND BANK BALANCES

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

	2007	2006
Pledged deposits	**2.07% to 3.78%**	N/A
Other bank balances	**0.1% to 0.72%**	0.1%

The amount of the Group's bank balances and cash are all denominated in the functional currency of the relevant group entities.

29. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables at the balance sheet date are as follows:

	2007 RMB'000	2006 RMB'000
Trade payables:		
– third parties	**1,862,498**	14,826
Trade payables:		
0 – 90 days	**1,817,635**	14,826
91 – 180 days	**29,012**	–
181 – 365 days	**12,761**	–
Over 365 days	**3,090**	–
	1,862,498	14,826
Other payable and accruals	**350,376**	5,315
	2,212,874	20,141

The settlement term of the trade payables arising from the Group's securities dealing and brokerage business is two days after the trade date. The Group has general average credit period of 90 days to 180 days from its trading suppliers for purchase of goods.

30. AMOUNT DUE TO A SHAREHOLDER/AN ASSOCIATE

	2007 RMB'000	2006 RMB'000
Liuzhou Wuling	**1,405,695**	–
柳州五菱物流有限公司 (note i)	**8,296**	–
	1,413,991	–

Notes:

(i) 柳州五菱物流有限公司 is a 30% associate of the Group.

(ii) Both balances are unsecured, non-interest bearing and repayable on demand.

31. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2006 and 31 December 2006	–
Acquisition of subsidiaries	59,178
Additional provision in the year	11,982
Utilisation of provision	(6,881)
At 31 December 2007	64,279

The warranty provision represents management's best estimate, with reference to prior experience and industry averages for defective products, of the Group's liabilities under its 2-year product warranty granted to its engines and automotive components customers.

32. BANK BORROWINGS

	2007 RMB'000	2006 RMB'000
Secured	**47,403**	17,495
Unsecured	**75,106**	–
	122,509	17,495
Amounts repayable:		
On demand or within one year	**90,005**	808
More than one year, but not exceeding two years	**5,134**	849
More than two years, but not exceeding five years	**14,656**	2,828
More than five years	**12,714**	13,010
	122,509	17,495
Less: Amount due within one year shown under current liabilities	**(90,005)**	(808)
	32,504	16,687

All of the Group's bank borrowings are denominated in RMB except that bank loans of RMB47,403,000 (2006: RMB17,495,000) and RMB8,907,000 (2006: RMB nil) as at 31 December 2007 were denominated in Hong Kong Dollars and Euro respectively.

The collaterals for Group's secured bank borrowings are:

(i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount of RMB19,737,000 as set out in note 19.

(ii) a mortgage over the Group's leasehold land and building, which had a carrying value at the balance sheet date of HK$10,882,000 as set out in note 16.

The Group's unsecured bank borrowings are supported by:

(i) A personal guarantee to the extent of HK$20,000,000 given by Mr. Lee Shing, a director of the Company.

(ii) Corporate guarantees to the extent of RMB400,000,000 by LiuZhou Wuling.

32. BANK BORROWINGS (continued)

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

	2007		2006	
	%	**RMB'000**	%	RMB'000
Effective interest rate:				
Fixed rate borrowings	**4.5 to 7.54**	**75,106**	N/A	–
Variable-rate borrowings	**4.4 to 7.0**	**47,403**	4.4 to 5.4	17,495

33. OBLIGATION UNDER FINANCE LEASES

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

	Minimum lease payments		**Present value of minimum lease payments**	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Amounts payable under finance leases				
Within one year	**341**	–	**287**	–
In more than one year but not more than two years	**341**	–	**287**	–
In more than two years but not more than five years	**529**	–	**438**	–
	1,211	–	**1,012**	–
Less: future finance charges	**(199)**	–	**–**	–
Present value of lease obligations	**1,012**	–	**1,012**	–
Less: Amount due for settlement with 12 months			**(287)**	–
Amount due settlement after 12 months			**725**	–

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

34. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation RMB'000	Revaluation of properties RMB'000	Tax losses RMB'000	Fair value adjustments on properties and inventories RMB'000	Allowance for bad and doubtful debt RMB'000	Total RMB'000
At 1 January 2006	–	412	–	–	–	412
Charge to consolidated income statement for the year	–	19	–	–	–	19
Disposal of subsidiaries	–	(412)	–	–	–	(412)
At 31 December 2006	–	19	–	–	–	19
Acquisition of subsidiaries	–	–	–	(5,445)	5,445	–
Charge (credit) to consolidated income statement for the year	137	903	(839)	–	–	201
Exchange realignment	(6)	(38)	34	–	–	(10)
At 31 December 2007	131	884	(805)	(5,445)	5,445	210

During the year, a deferred tax asset has been recognized in respect of RMB5,593,000 (2006: nil) tax losses, no deferred tax assets has been recognized in respect of the remaining tax losses of RMB196,149,000 due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

34. DEFERRED TAX LIABILITIES (continued)

At the balance sheet date, the Group had the following unrecognized deferred tax assets in relation to deductible temporary differences and unused tax losses:

	2007	2006
	RMB'000	RMB'000
Deductible temporary differences	**11,537**	–
Unused tax losses	**28,701**	27,278
	40,238	27,278

35. SHARE CAPITAL

	2007	2006
	RMB'000	RMB'000
Authorised:		
25,000,000,000 (2006: 25,000,000,000) ordinary shares of HK$0.004 (2006: HK$0.004) each	**100,000**	100,000
1,521,400,000 convertible preference shares of HK$0.001 each (2006: HK$0.001)	**1,521**	1,521
	101,521	101,521
Issued and fully paid:		
917,288,049 (2006: 767,288,049) ordinary shares of HK$0.004 (2006: HK$0.004) each	**3,659**	3,069

35. SHARE CAPITAL (continued)

A summary of the movements in the Company's authorized and issued share capital, and share premium account is as follows:

	Notes	Authorised Number of share '000	Authorised Amount RMB'000	Issued and fully paid Number of share '000	Issued and fully paid Amount RMB'000	Share Premium account Amount RMB'000
Ordinary shares						
At 1 January 2005, 31 December 2005 and 1 January 2006		1,000,000	100,000	615,024	61,502	168,315
Capital Reduction	(a)(i) & (ii)	–	–	–	(60,887)	–
Subdivision of shares	(a)(iii)	99,000,000	–	–	–	–
Rights issue	(c)	–	–	307,512	308	9,394
Convertible preference shares	(d)	–	–	2,023,616	2,023	45,977
Issue of shares	(e)	–	–	123,000	123	6,125
Share issue expenses		–	–	–	–	(1,225)
Share Consolidation	(f)	(75,000,000)	–	(2,301,864)	–	–
At 31 December 2006		25,000,000	100,000	767,288	3,069	228,586
Share issue expenses		–	–	–	–	(20)
Conversion of warrants		–	–	150,000	590	50,739
At 31 December 2007		25,000,000	100,000	917,288	3,659	279,305
Convertible preference shares						
At 1 January 2006		–	–	–	–	–
Issue of convertible preference shares	(b)	1,521,400	1,521	1,521,400	48,000	–
Conversion of convertible preference shares	(d)	–	–	(1,521,400)	(48,000)	–
At 31 December 2006 and 31 December 2007		1,521,400	1,521	–	–	–

35. SHARE CAPITAL (continued)

Notes:

(a) Pursuant to a special resolution passed at a special general meeting of the company on 23 May 2006, the following events took place on 19 June 2006:

(i) A reduction of the par value of each issued ordinary share of the company from HK$0.001 by cancelling the paid–up capital to the extent of HK$0.099 on each issued ordinary share, resulting in a reduction of the Company's issued share capital from HK$61,502,418 to HK$ 615,024;

(ii) A transfer of the credit arising from the cancellation of the paid-up capital in the amount of HK$60,887,394 to the contributed surplus; and

(iii) A subdivision of each unissued ordinary share in the Company with the par value of HK$0.10 into 100 new unissued ordinary shares in the company with the par value of HK$0.001 each, resulting in an increase in authorized ordinary shares from 1,000,000,000 shares to 100,000,000,000 shares.

(b) Pursuant to a special resolution passed at a special general meeting of the Company on 23 May 2006, the authorized share capital of the Company was increased by HK$1,521,400 divided into 1,521,400,000 convertible preference shares of HK$ 0.001 each.

(c) A right issue of one rights share for every two existing shares held by members on the register of members on 16 August 2006 was made, at an issue price of HK$0.03155 per rights share, resulting in the issue of 307,512,087 ordinary share of HK$0.001 each for a total cash consideration, before expense, of HK$9,702,000.

(d) On 26 September 2006 and 11 October 2006, 1,521,400,000 convertible preference shares were converted into 1,300,000,000 and 723,615,935 ordinary shares of HK$0.001 each, respectively. Further details of the convertible preference shares are set out in the section headed "Convertible Preference Shares" below.

(e) On 9 November 2006, the Company allotted and issued a total of 123,000,000 ordinary shares of HK$0,001 each for cash to in dependent third parties at a price of HK$0.0508 per share for a total cash consideration, before expenses, of HK$6,248,400.

(f) With effective from 27 November 2006, every four shares in the issued and unissued ordinary share capital of the Company of HK$0.001 each were consolidated into one consolidated share of HK$0.004 each.

Convertible preference shares

On 20 June 2006, the Company issued 1,521,400,000 convertible preference shares (the "Convertible Preference Shares") with a nominal value of HK$48,000,170. The Convertible Preference Shares were non-voting, freely transferable and not entitled to any right of participation in the profits of the Company. Holders of the Convertible Preference Shares are not entitled to any dividend distribution whether in cash or otherwise. The Company did not have the right to redeem the outstanding shares, nor did the shareholders have the rights to sell back the shares to the Company.

The Convertible Preference Shares were convertible into the Company's ordinary shares at the conversion price, which was initially HK$0.03155 per ordinary share, subject to adjustment, of the company at anytime immediately upon allotment and issue of the Convertible Preference Shares and until the conversion of all the Convertible Preference Shares in full.

35. SHARE CAPITAL (continued)

Convertible preference shares (continued)

On 26 September 2006 and 11 October 2006, the conversion rights attaching to the Convertible Preference Shares were exercised in full at the conversion price of the HK$0.02372 per share, as adjusted for the rights issue (note 35(c)), resulting in the issue of 1,300,000,000 and 723,615,935 ordinary shares of HK$0.001 each, respectively.

Share option

Details of the Company's share option scheme are included in note 36 to the financial statements.

Warrants

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 23 December 2006, the Company issued unlisted warrants attaching the rights to subscribe for 150,000,000 ordinary shares of HK$0.004 each in the Company at a subscription price of HK$0.332 per share, payable in cash and subject to adjustment, from the date of issue until the third anniversary of the date thereof. The issue price of the warrants is HK$0.016 each and the total proceeds from the issue of the warrants was HK$2,400,000.

During the year, all warrants were exercised.

Further details of the warrants are set out in the Company's circular dated 6 December 2006.

36. SHARE OPTION SCHEME

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

(a) A summary of the share option scheme of the Group is as follows:

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

(i) 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;

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

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

(iv) any customer of the Group;

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

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

36. SHARE OPTION SCHEME (continued)

(a) A summary of the share option scheme of the Group is as follows: (continued)

Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report

15,375,604 (2006: 15,375,604) ordinary shares, being 1.68% (2006: 2%) of the issued share capital.

Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

Amount payable on acceptance

HK$1.00

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

Not applicable.

Basis of determining the exercise price

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

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

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

(iii) the nominal value of an ordinary share.

36. SHARE OPTION SCHEME (continued)

(a) A summary of the share option scheme of the Group is as follows: (continued)

The remaining life of the scheme

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

(b) The following share options were outstanding under the Scheme during both years:

Name or category of participant	Date of grant	Exercise period	Exercise price of share options per share* HK$	Price of Company's shares at grant date of options per share** HK$	At 1 January 2006	Granted during the year	Lapsed during the year	Cancelled during the year	At 31 December 2006 and 31 December 2007
Director									
Chan Hon Ming, Alan	8 July 2002	8 July 2002 to 7 July 2012	0.111	0.104	3,000,000	–	–	(3,000,000)	–
Other employees									
in aggregate	8 July 2002	8 July 2002 to 7 July 2012	0.111	0.104	8,250,000	–	(4,050,000)	(4,200,000)	–
					11,250,000	–	(4,050,000)	(7,200,000)	–

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to such date.

The share options do not confer rights on the holders to dividends or to vote at shareholders meetings.

At the balance sheet date, the Company had no options outstanding under the Scheme.

Subsequent to the year end date, on 2 January 2008, a total of 15,320,000 share options were granted to and subsequently accepted by the directors and employees of the Group entitling them to subscribe for shares in the Company from the date of acceptance to 31 December 2009 at an exercise price of HK$2.318 per share.

37. CAPITAL COMMITMENTS

	2007 RMB'000	2006 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of construction in progress	**37,907**	–
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**60,371**	1,494
	98,278	1,494

38. PLEDGE OF ASSETS

At the respective balance sheet date, the Group's bank borrowings and credit facilities from financial institutions were secured by the following:

	2007 RMB'000	2006 RMB'000
Bank deposits	**302,034**	–
Property, plant and equipment	**12,098**	10,509
Investment properties	**19,737**	15,814
	333,869	26,323

39. RETIREMENT BENEFITS PLANS

The Group's subsidiaries in the PRC participate in state-managed retirement plans pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. The contributions payable to the retirement plans in respect of the year are charged to the consolidated income statements when employees have rendered service entitling them to the contribution.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

40. ACQUISITION OF SUBSIDIARIES

On 31 August 2007, the Group subscribed for 50.98% of the registered capital of Wuling Industrial for a consideration of RMB391,000,000. This acquisition has been accounted for using the purchase method.

	Acquiree's carrying amount before combination RMB'000	Fair value adjustments RMB'000 (Note)	Fair value RMB'000
Net assets acquired:			
Property, plant and equipment	341,369	33,044	374,413
Prepaid lease payments	2,087	–	2,087
Premium on prepaid lease payments	–	1,072	1,072
Interest in an associate	2,282	–	2,282
Available-for-sale investment	498	–	498
Deposits paid for acquisition of property, plant and equipment	53,183	–	53,183
Subscription moneys recoverable	391,000	–	391,000
Inventories	333,716	2,182	335,898
Trade and other receivables	3,133,980	–	3,133,980
Pledged bank deposits	750,367	–	750,367
Bank balances and cash	124,731	–	124,731
Trade and other payables	(2,760,178)	–	(2,760,178)
Amount due to a shareholder	(1,227,240)	–	(1,227,240)
Amount due to an associate	(5,373)	–	(5,373)
Provision for warranty	(59,178)	–	(59,178)
Taxation payable	(35,990)	–	(35,990)
Bank borrowings	(263,405)	–	(263,405)
Deferred tax assets	–	5,445	5,445
Deferred tax liabilities	–	(5,445)	(5,445)
Minority interests	(14,849)	–	(14,849)
	767,000	36,298	803,298
Minority interests			(393,793)
Adjusted net asset value			409,505
Deemed capital contribution			(18,505)
Total consideration satisfied by:			
Cash			391,000
Net cash outflow arising on acquisition:			
Bank balances and cash acquired			124,731

40. ACQUISITION OF SUBSIDIARIES (continued)

Although the Company has agreed to subscribe for a 50.98% of the registered capital of Wuling Industrial for RMB391,000,000, only RMB78,200,000 of the subscription money was due and paid at 31 December 2007. According to the relevant joint venture agreement, the balance of the subscription money will be paid within two years from the date of the establishment of Wuling Industrial and the Company is entitled to share the profit of Wuling Industrial based on the percentage of its actual capital contribution made.

The subsidiaries acquired contributed approximately RMB2,851,552,000 and RMB74,782,000 to the Group's turnover and profit, respectively, from the date of acquisition to 31 December 2007.

If the acquisition had been completed on 1 January 2007, total group revenue for the year would have been RMB6,858,542,000, and profit for the year would have been RMB141,495,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

41. NON-CASH TRANSACTIONS

During the year, purchase of property, plant and equipment of RMB1,030,000 was acquired through inception of finance lease.

42. DISPOSAL OF SUBSIDIARIES

On 20 June 2006, the Group disposed of its entire 100% equity interst in Lismore Properties Limited and its subsidiaries (collectively the "Lismore Group") to Magnum (Guernsey) Limited ("MGL"), which ceased to be the Group's immediate holding company on the same date, for a considertion of RMB56,367,000 (HK$56,367,000), resulting in a gain on disposal of RMB12,408,000 (HK$12,408,000). The Lismore Group was engaged in property investment immediately before the disposal.

The carrying amounts of the assets and liabilities of the Lismore Group immediately before the disposal were as follows:

	RMB'000
Net liabilities disposed of:	
Property, plant and equipment	197
Investment properties	43,920
Prepayments, deposits and other receivables	444
Cash and bank balances	694
Other payables and accruals	(884)
Deferred tax liabilities	(412)
Amounts due to the Group	(56,367)
	(12,408)
Gain on disposal of subsidiaries	12,408
Amounts due to the Group disposed of	56,367
Sale consideration	56,367

42. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	694

43. OPERATING LEASES

The Group as lessor

Machinery rental income earned during both years are as disclosed in note 8. All machineries held have committed lessees for the next year.

Properties rental income earned during the year was RMB850,000 (2006: RMB1,164,000). All of the properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with lessees for the following future minimum lease receipts:

	2007 RMB'000	2006 RMB'000
Within one year	**1,061**	221
In the second to fifth year inclusive	**140**	–
	1,201	221

The Group as lessee

Minimum lease payments made under operating leases during the year was RMB29,627,000 (2006: RMB1,713,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 RMB'000	2006 RMB'000
Within one year	**32,403**	267
In the second to fifth year inclusive	**31,528**	37
	63,931	304

44. RELATED PARTY DISCLOSURES

(I) Related party transactions

Company	Transactions	2007 RMB'000	2006 RMB'000
SGMW	Sales of goods	1,986,054	–
	Purchases of materials	555,165	–
	Sales of raw materials	7,816	–
	Warranty expense	32,141	–
	Project income	632	–
Liuzhou Wuling	License fee paid	1,100	–
	Rental expense	9,384	–
Other related parties (Note)	Sales of raw materials	7,737	–
	Procurement services of water and power	352	–
	Purchases of automotive components and other accessories	3,005	–
Former holding companies and fellow subsidiary	Interest expenses	–	3,245
	Waiver of loan advances and related interest	–	20,074
	Management fee income	–	23

Note: other related parties represent associated companies of Liuzhou Wuling.

(II) Related party balances

Details of the Group's outstanding balances with related parties are set out and in notes 25 and 30.

(III) Guarantees provided

The guarantees provided by the director of the Company and by Liuzhou Wuling to the Group are set out in note 32.

(IV) Compensation of key management personnel

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

	2007 RMB'000	2006 RMB'000
Short-term benefits	5,319	3,178
Post-empolyment benefits	72	72
	5,391	3,250

(V) Acquisition of subsidiaries from substantial shareholder

During the year, the Group entered into a joint venture agreement with Liuzhou Wuling, the substantial shareholder of the Group to establish Wuling Industrial. The Group also agreed to subscribe for a 50.98% of the registered capital of Wuling Industrial for a cash consideration of RMB391,000,000. Details are set out in note 40.

45. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2007 and 31 December 2006 are as follows:

	Note	2007 RMB'000	2006 RMB'000 (restated)
Total Assets			
Property, plant and equipment		**126**	91
Interests in subsidiaries		**389,161**	8,542
Prepayments and deposits		**210**	230
Amount due from subsidiaries		**41,973**	60,699
Cash and cash equivalents		**228**	2,493
		431,698	72,055
Total Liabilities			
Other payables and accruals		**4,053**	2,048
Amounts due to subsidiaries		**97,096**	102,070
Capital subscription money payable to a subsidiary		**301,689**	–
Bank borrowings		**18,708**	–
		421,546	104,118
		10,152	(32,063)
Capital and Reserves			
Share capital		**3,659**	3,069
Reserves	(i)	**6,493**	(35,132)
		10,152	(32,063)

45. BALANCE SHEET OF THE COMPANY (continued)

Note:

(i) Reserves

	Share premium account RMB'000	Contributed surplus RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2006	168,315	95,166	–	(396,219)	(132,738)
Capital reduction	–	60,887	–	–	60,887
Rights issue	9,394	–	–	–	9,394
Conversion of convertible preference shares	45,977	–	–	–	45,977
Issue of shares	6,125	–	–	–	6,125
Share issue expenses	(1,225)	–	–	–	(1,225)
Issue of warrants	–	–	2,400	–	2,400
Loss for the year	–	–	–	(25,952)	(25,952)
At 31 December 2006	228,586	156,053	2,400	(422,171)	(35,132)
Conversion of warrants	50,739	–	(2,400)	–	48,339
Issue of shares	–	–	–	–	–
Share issue expenses	(20)	–	–	–	(20)
Loss for the year	–	–	–	(6,694)	(6,694)
At 31 December 2007	279,305	156,053	–	(428,865)	6,493

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

46. POST BALANCE SHEET EVENT

Subsequent to the year end date, on 2 January 2008, a total of 15,320,000 share options were granted to and subsequently accepted by the directors and employees of the Group entitling them to subscribe for shares in the Company from the date of acceptance to 31 December 2009 at an exercise price of HK$2.318 per share.

47. SUBSIDIARIES

Particular of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings Direct %	Interest holdings Indirect %	Principal activities
Wuling Industrial	The PRC 30 October 2006 (note iii)	RMB767,000,000	50.98 (note i)	–	Investment holding and sales of motor vehicles
柳州五菱柳機動力有限公司 Liuzhou Wuling Liuji Motors Company Limited	The PRC 16 June 1993 (note iii)	RMB100,120,000	–	50.98 (note ii)	Manufacture and sale of petrol engines and motor cycles engines
柳州五菱汽車聯合發展有限公司 Liuzhou Wuling Motors United Development Company Limited	The PRC 25 December 2001 parts (note iii)	RMB100,000,000	–	50.97 (note ii)	Manufacture and sale of automobiles spare parts
柳州五菱 專用汽車製造有限公司 Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited	The PRC 10 December 2003 (note iii)	RMB15,000,000	–	50.98 (note ii)	Manufacture and sale of special vehicles
無錫五菱動力機械有限責任公司	The PRC 15 July 2005 (note iii)	RMB6,000,000	–	26 (note ii)	Manufacture and sales of accessories of motor vehicles
北京北汽發動機有限公司	The PRC 12 December 2004 (note iii)	RMB36,000,000	–	26 (note ii)	Manufacture and sales of engines
柳州五菱柳機汽車零部件工貿公司	The PRC 10 June 2000 (note iii)	RMB1,000,000	–	48.43 (note ii)	Manufacture and sales of accessories of engines
泰興市菱迪機械有限公司	The PRC 28 March 2004 (note iii)	RMB3,000,000	–	26 (note ii)	Manufacture and sales of engines

47. SUBSIDIARIES (continued)

Name of subsidiary	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings Direct %	Interest holdings Indirect %	Principal activities
柳州五菱汽車有限責任公司柳州機械廠無錫分公司	The PRC 25 June 2004 (note iii)	RMB4,800,000	–	26 (note ii)	Manufacture and sales of engines
Hilcrest Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Property investment
Watary Investments Limited	British Virgin Islands/ Hong Kong	US$36,000	100	–	Investment holding
Dragon Hill Financial Services Holdings Limited (formerly Magnum Financial Services Holdings Limited)	British Virgin Islands/ Hong Kong	US$2	100	–	Investment holding
Dragon Hill Credit Limited (formerly Magnum International Finance Limited)	Hong Kong	HK$10,000,000	–	100	Money lending
Dragon Hill Financial Services Limited (formerly Magnum International Securities Limited)	Hong Kong	HK$40,000,000	–	100	Securities dealing and margin finance
Dragon Hill (HK) Limited (formerly Magnum Industries Limited)	Hong Kong	HK$10	–	100	Trading of marketable securities
DH Corporate Services Limited (formerly Magnum International Holdings Services Limited)	Hong Kong	HK$2	–	100	Provision of administrative services
Jenpoint Limited	Hong Kong	HK$2	–	100	Property investment

Notes:

(i) Although the Company has agreed to subscribe for a 50.98% of the registered capital of Wuling Industrial for RMB391,000,000, only RMB78,200,000 fo the subscription money was due and paid at 31 December 2007. According to the relevant joint venture agreement, the balance of the subscription money will be paid within two years from the date of the establishment of Wuling Industrial and the Company is entitled to share the profit of Wuling Industrial based on the percentage of its actual capital contribution made.

(ii) This represents the effect interest held by the Company.

(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.

Particulars of Properties

31 December 2007

Location	Approximate site/floor area	Existing use	Group interest
Investment properties held under long lease			
a. Office No.506 on 5th floor, China Insurance Group Building, No.141 Des Voeux Road, No. 73 Connaught Road Central, Nos. 61-65 Gilman Street, Central, Hong Kong	1,103 sq. ft.	Commercial	100%
b. Portion B on 23rd Floor, Yardley Commercial Building, No.3 Connaught Road West, Sheung Wan, Hong Kong	2,057 sq. ft.	Commercial	100%
Properties held for own use under long lease			
c. Office Nos. 504-505 on 5th Floor, China Insurance Group Building, No.141 Des Voeux Road, No. 73 connaught Road Central, Nos. 61-65 Gilman Street, Central, Hong Kong	2,198 sq. ft.	Commercial	100%
d. Flat H on 13th Floor, Southern Building, Nos. 257-273 King's Road, North Point, Hong Kong	605 sq. ft.	Domestic	100%
Industrial Land			
e. No.13 Xihuan Road, Liuzhou, Guangxi Zhuang Autonomous Regions, The PRC	432,788 sq. ft.	Industrial Land	51%

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lee Shing (Chairman & Chief Executive Officer)
Mr. He Shiji (Vice-Chairman)
Mr. Sun Shaoli
Mr. Wei Hongwen
Ms. Liu Yaling
Mr. Pei Qingrong
Mr. Wang Shaohua

Independent Non-Executive Directors
Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Cheng Kin Wah, Thomas

AUDIT COMMITTEE

Mr. Cheng Kin Wah, Thomas (Chairman)
Mr. Yu Xiumin
Mr. Zuo Duofu

REMUNERATION COMMITTEE

Mr. Zuo Duofu (Chairman)
Mr. Yu Xiumin
Mr. Cheng Kin Wah, Thomas

COMPANY SECRETARY

Mr. Lai Shi Hong, Edward

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Sidley Austin Brown & Wood
Mallesons Stephen Jaques

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudianna Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
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STOCK CODE

Stock Exchange of Hong Kong: 305

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