五菱汽車集團控股有限公司
WULING MOTORS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability) (股份代號 Stock Code : 305)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The board of directors (the "Board") of Wuling Motors Holdings Limited (formerly known as Dragon Hill Wuling Automobile Holdings Limited) (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** *RMB'000*	2010 *RMB'000*
Revenue	*4*	**10,908,602**	11,063,390
Cost of sales		**(9,936,887)**	(9,983,234)
Gross profit		**971,715**	1,080,156
Other income	*4*	**83,527**	98,955
Other gains and losses	*4*	**2,519**	4,015
Selling and distribution costs		**(245,548)**	(289,875)
General and administrative expenses		**(551,846)**	(540,082)
Research and development expenses		**(53,589)**	(83,901)
Change in fair value of derivative financial instrument	*15*	**35,526**	29,492
Loss on disposal of subsidiaries		**(27)**	—
Loss on change in fair value of held-for-trading investments		**(2)**	—
Gain on disposal of an associate		**—**	1,572
Share of result of an associate		**—**	(1,715)
Change in fair value of investment properties		**—**	2,958
Finance costs	*5*	**(74,354)**	(63,912)
Profit before tax		**167,921**	237,663
Income tax expense	*6*	**(31,466)**	(55,120)
Profit for the year	*7*	**136,455**	182,543
Other comprehensive income			
Exchange differences arising from translation of foreign operation		**39**	8,664
Released upon disposal of subsidiaries		**(33)**	—
Total comprehensive income for the year		**136,461**	191,207

	NOTES	2011 RMB'000	2010 RMB'000
Profit for the year attributable to:			
Owners of the Company		**69,813**	77,648
Non-controlling interests		**66,642**	104,895
		136,455	182,543
Total comprehensive income attributable to:			
Owners of the Company		**69,819**	86,312
Non-controlling interests		**66,642**	104,895
		136,461	191,207
Earnings per share	*9*		
Basic		**6.17 cents**	7.84 cents
Diluted		**3.16 cents**	4.76 cents
Dividend	*8*		
Interim dividend		**HK1 cent**	Nil
Final dividend		**HK0.5 cent**	Nil

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	NOTES	**2011** **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,078,994**	891,537
Prepaid lease payments		**171,907**	32,104
Premium on prepaid lease payments		**972**	997
Investment properties		**26,217**	27,103
Intangible assets		**628**	928
Available-for-sale investments		**360**	360
Deposits for trading rights		**—**	174
Deposits for acquisition of land use rights		**10,800**	50,800
Deposits for acquisition of property, plant and equipment		**140,584**	183,229
		1,430,462	1,187,232
CURRENT ASSETS			
Inventories	*10*	**551,976**	895,836
Loan receivables	*11*	**—**	50
Trade and other receivables	*12(i)*	**6,128,582**	4,767,834
Bills receivables discounted with recourse	*12(ii)*	**232,736**	1,418,202
Prepaid lease payments		**3,601**	689
Tax recoverable		**2,033**	—
Held-for-trading investments		**5**	7
Client trust bank accounts		**—**	5,373
Pledged bank deposits		**498,138**	952,549
Bank balances and cash		**849,846**	845,433
		8,266,917	8,885,973

	NOTES	2011 RMB'000	2010 RMB'000
CURRENT LIABILITIES			
Trade and other payables	13(i)	**5,914,080**	6,243,018
Advances drawn on bills receivables discounted with recourse	13(ii)	**232,736**	1,418,202
Amounts due to shareholders		**577,979**	627,013
Provision for warranty	14	**124,717**	125,665
Tax payable		**1,297**	44,100
Derivative financial instrument	15	**18,843**	54,369
Bank borrowings — due within one year		**1,174,762**	240,521
Obligations under finance leases — due within one year		**74**	79
Bank overdrafts		**5,117**	—
		8,049,605	8,752,967
NET CURRENT ASSETS		**217,312**	133,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,647,774**	1,320,238
NON-CURRENT LIABILITIES			
Amount due to shareholders		**326,764**	329,533
Convertible loan notes	15	**78,524**	77,691
Bank borrowings — due after one year		**23,158**	2,872
Obligations under finance leases — due after one year		**—**	79
Deferred tax liabilities		**14,279**	9,527
		442,725	419,702
		1,205,049	900,536
CAPITAL AND RESERVES			
Share capital	16	**4,524**	3,961
Reserves		**481,965**	297,613
Equity attributable to owners of the Company		**486,489**	301,574
Non-controlling interests		**718,560**	598,962
		1,205,049	900,536

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

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

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

New and revised HKFRSs issued but not yet effective

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

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

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

3. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

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

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

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

Inter-segment sales are charged at prevailing market prices.

Segment assets and liabilities

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

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

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

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

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

Other segment information

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

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

Geographical information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

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

Information about a major customer

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

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

4. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

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

notes:

(i) Details of other income are as follows:

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

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

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

5. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interests on:		
— amount due to a shareholder	**3,737**	1,453
— borrowings and overdrafts wholly repayable within five years	**23,878**	7,265
— borrowings not wholly repayable within five years	**489**	383
— advances drawn on bills receivables	**37,820**	46,345
— obligations under finance leases	**18**	47
— convertible loan notes *(Note 15)*	**8,412**	8,419
	74,354	63,912

6. INCOME TAX EXPENSE

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

Hong Kong

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

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

The PRC

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

Pursuant to the tax notice, Caishui [2001] No. 202 and the Implementation Regulations of the EIT Law issued by the State Council of the PRC on 6 December 2008, the relevant State policy and with approval obtained from tax authorities in charge, other than Wuling Industrial, all the Group's major PRC operating subsidiaries which are located in specified provinces of Western China and engaged in a specific state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Pursuant to Caishui [2011] No. 58 issued during the current year, such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprises are engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") and annual approval from the relevant authority is obtained by the enterprises.

The Catalogue will be issued separately. In addition, pursuant to the Notice 2011 No. 2 issued by Guangxi Local Tax Bureau, for the transition between Caishui [2001] No. 202 and Caishui [2011] No. 58 entities which enjoyed preferential EIT rate for the development of the western regions in Guangxi Province previously, could adopt 15% preferential tax rate while making their quarterly EIT prepayments for 2011. The Catalogue setting out the qualifying industries has not been issued yet, and there is no further regulation to address this issue.

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

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

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

7. PROFIT FOR THE YEAR

	2011	2010
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**6,594**	10,519
Other staff costs		
Salaries and allowances	**591,360**	445,968
Retirement benefit scheme contributions, excluding directors	**55,348**	59,849
Equity settled share-based payments excluding directors	**712**	20,913
Total staff costs	**654,014**	537,249
Gross rental income from investment properties	**(678)**	(600)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**2**	3
Net rental income	**(676)**	(597)
Auditor's remuneration	**1,663**	1,866
Cost of inventories recognized as an expense *(note)*	**9,936,887**	9,983,234
Depreciation of property, plant and equipment	**94,507**	79,634
Release of prepaid lease payments (included in general and administrative expenses)	**2,861**	751
Release of premium on prepaid lease payments (included in general and administrative expenses)	**25**	25

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

8. DIVIDEND

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

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

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

9. EARNINGS PER SHARE

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

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

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

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

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share in 2010 and 2011 have been adjusted for the bonus element of the Open Offer (as defined in Note 16) on 28 March 2011.

10. INVENTORIES

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

11. LOAN RECEIVABLES

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

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

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

(i) Trade and other receivables

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

Notes:

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

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

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

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

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

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

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

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2010: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in Note 13(ii).

13. TRADE AND OTHER PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(i) Trade and other payables

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

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

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

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

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

(ii) Advances drawn on bills receivables discounted with recourse

The amounts represent the Group's bank borrowings secured by bills discounted to banks with recourse (see Note 12(ii)). The ranges of effective interest rates per annum in respect of these bank borrowings are as follows:

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

14. PROVISION FOR WARRANTY

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

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

15. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

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

As a result of the share placement and subscription at a discount as set out in Note 16, the conversion price of CN 2014 was adjusted from HKD0.74 per share to HKD0.73 per share with effect from 12 March 2010.

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

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

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

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

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

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

(i) Valuation of liability component

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

(ii) Valuation of conversion option component

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

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

16. SHARE CAPITAL

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

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

notes:

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

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

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

(b) Pursuant to an ordinary resolution passed at special general meeting of the Company on 8 March 2011, an issue of shares by the Company at a price of HK$0.90 per share on the basis of 1 share for every 6 then existing shares (the "Open Offer") was approved. The Open Offer was completed on 28 March 2011 and a total of 167,229,341 new shares were issued, resulting in gross proceeds of approximately HK$150,506,000 (equivalent to approximately RMB126,644,000) to the Company. The proceeds from the Open Offer provide additional working capital to finance the Group's daily operations.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — By Key Business Segments

The business performance and evaluation of the Group's four main business segments namely (1) engines and parts; (2) automotive components; (3) specialized vehicles; and (4) trading and supply services for the year 2011 are detailed below:

Engines and Parts — Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji")

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

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

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

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

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

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

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

Automotive Component — Liuzhou Wuling Motors United Development Limited ("Wuling United")

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

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

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

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

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

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

Specialized Vehicles — Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles")

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

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

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

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

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

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

Trading and Supply Services — Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial")

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

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

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

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

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

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

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

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

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

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

Financial Review

Statement of Comprehensive Income

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

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

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

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

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

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

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

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

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

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

Financial Positions

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

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

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

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

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

Liquidity and Capital Structure

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

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

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

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

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

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

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011 (2010: Nil).

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 Company has applied the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange sets out the principles of good corporate governance and the code provisions as set out in the CG Code.

COMPLIANCE WITH MODEL 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 for Securities Transaction by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in appendix 10 to the Listing Rules.

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

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive directors, namely Mr. Ye Xiang (the Chairman), Mr. Yu Xiumin and Mr. Zuo Duofu, is established in accordance with the requirements of the CG Code, for the purpose of reviewing and providing, inter alia, supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee are disclosed on the website of the Company.

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

ANNUAL REPORT

The annual report for the year ended 31 December 2011 containing all information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the Company at www.wuling.com.hk in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Sun Shaoli (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Wei Hongwen, Mr. Zhong Xianhua, Ms. Liu Yaling and Mr. Zhou Sheji as executive Directors and Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang as independent non-executive Directors.

On behalf of the Board
Sun Shaoli
Chairman

Hong Kong, 28 March 2012