THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wuling Motors Holdings Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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)*

CONNECTED TRANSACTION RELATING TO PROPOSED ISSUE OF CONVERTIBLE NOTES, APPLICATION FOR WHITEWASH WAIVER AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

時富金融
CFSG

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

普頓資本有限公司
PROTON CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee containing its recommendations in respect of the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Proton Capital containing its relevant advices to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 42 of this circular.

A notice convening the SGM to be held at 3:30 p.m. or immediately after the special general meeting of the Company to be held at 3:00 p.m. on the same day on Thursday, 23 January 2014 at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong is set out on pages 168 to 169 of this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

3 January 2014

CONTENTS

Unless the context otherwise requires, capitalised terms used in this circular shall have the following meanings:

"2009 Convertible Notes"	the 6% interest bearing convertible notes in an aggregate principal amount of HK$100,000,000 issued by the Company to the Subscriber on 12 January 2009, which (i) carry rights to convert the outstanding principal amount thereof into new Shares at the conversion price of HK$0.73 per Share; and (ii) shall become mature on 12 January 2014 (details of the 2009 Convertible Notes were set out in the circular issued by the Company on 16 December 2008), the repayment of which was subsequently extended to the date of completion of the Subscription (details of which were set out in the announcement of the Company dated 27 December 2013)
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 27 November 2013 in relation to, among other things, the proposed issue of the Convertible Notes and application for the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day, other than Saturday and a day on which a tropical cyclone warning no. 8 or above is hoisted or a "black rainstorm warning signal" is given in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours
"Company"	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
"Condition(s) Precedent"	the condition(s) precedent for completion of the Subscription to take place as set out in the section headed "Conditions Precedent" in the letter from the Board of this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Conversion Period"	the period during which the Noteholder(s) may exercise the Conversion Rights to subscribe for the Conversion Shares at the Conversion Price, details of which are set out in the section headed "Principal terms of the Convertible Notes" in the letter from the Board of this circular
"Conversion Price"	the conversion price at which each Conversion Share will be issued upon a conversion of all or any part of the Conversion Notes, which is initially fixed at HK$0.58 per Conversion Share and subject to adjustments (if any)
"Conversion Rights"	the rights attaching to the Convertible Notes to convert the whole or part of the outstanding principal amount of the Convertible Notes into Conversion Shares subject to the terms and conditions of the Convertible Notes
"Conversion Share(s)"	new Share(s) to be allotted and issued by the Company upon exercise of the Conversion Rights by a Noteholder
"Convertible Notes"	the convertible notes in an aggregate principal amount of HK$200,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
"Directors"	directors of the Company
"Dragon Hill"	Dragon Hill Development Limited, a company incorporated in Samoa with limited liability and a substantial Shareholder beneficially interested in approximately 24.02% of the issued share capital of the Company as at the Latest Practicable Date. It is solely and beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company. Dragon Hill is a party acting in concert with the Subscriber
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent committee of the Board comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang, being all of the independent non-executive Directors, established for the purposes of advising the Independent Shareholders on the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (a) the Subscriber, parties acting in concert with it and their respective associates; and (b) any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver or who are prohibited to vote under the Listing Rules and the Takeovers Code
"Issue Date"	the date of issue of the Convertible Notes, which shall be on the date of completion of the Subscription
"Last Trading Day"	26 November 2013, being the last trading day of the Shares prior to the date of the Subscription Agreement and the Announcement
"Latest Practicable Date"	31 December 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Liuzhou Wuling"	柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited*), a wholly state-owned limited enterprise established in the PRC, being the ultimate holding company of the Subscriber. Liuzhou Wuling is a party acting in concert with the Subscriber
"Maturity Date"	the maturity date of the Convertible Notes, being the date falling on the third anniversary of the Issue Date
"Noteholder(s)"	the holder(s) of the Convertible Notes
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Proton Capital" or "Independent Financial Adviser"	Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders relating to the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held on 23 January 2014 for the purpose of considering and, if thought fit, approving the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.004 each in the share capital of the Company
"Share Options"	the outstanding options to subscribe for an aggregate of 133,237,068 new Shares granted by the Company pursuant to the old share option scheme adopted by the Company on 11 June 2002 and terminated on 28 May 2012 or the new share option scheme adopted by the Company on 28 May 2012, amongst which (i) options carrying subscription rights to subscribe for a total of 29,547,068 Shares at a subscription price of HK$1.062 per Share are currently exercisable up to the expiry date on 31 December 2013; and (ii) options carrying subscription rights to subscribe for a total of 103,690,000 Shares at a subscription price of HK$0.49 per Share are currently exercisable up to the expiry date on 30 June 2016
"Shareholder(s)"	the holder(s) of the Share(s)
"Shareholder's Loan"	the shareholder's loan in the principal amount of HK$100,000,000 made by the Subscriber to the Company which currently bears interest of 4.5% per annum and which shall become due on 30 August 2014

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder beneficially interested in approximately 37.0% of the issued share capital of the Company as at the Latest Practicable Date and an indirect wholly-owned subsidiary of Liuzhou Wuling
"Subscription"	conditional subscription of the Convertible Notes by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 27 November 2013 entered into between the Company and the Subscriber in relation to the Subscription and issue of the Convertible Notes
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber and parties acting in concert with it (including but not limited to Dragon Hill and Mr. Wei Hongwen) to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares
"Wuling HK"	Wuling Motors (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of Liuzhou Wuling
"Wuling Industrial"	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company which is owned as to 51% and 49% by the Company and Liuzhou Wuling respectively
"%"	per cent

In this circular, unless otherwise specified, conversion of RMB into Hong Kong Dollars is, based on the exchange rate of RMB1 to HK$1.27966, for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

* *For identification purpose only*

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)

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

Independent non-executive Directors:
Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business in Hong Kong:
Unit 2403, 24/F
Great Eagle Centre
23 Habour Road
Wanchai
Hong Kong

3 January 2014

To the Shareholders, and for information purpose only, holders of the Share Options and holders of the 2009 Convertible Notes

Dear Sirs,

CONNECTED TRANSACTION RELATING TO PROPOSED ISSUE OF CONVERTIBLE NOTES AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription Agreement entered into by the Company and the Subscriber on 27 November 2013 (pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK$200,000,000), and the application to the Executive for the Whitewash Waiver by the Subscriber.

The purpose of this circular is to provide you with, among other things, (i) particulars of the Subscription Agreement (together with the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver, (ii) the relevant recommendations of the Independent Board Committee, (iii) a letter of advice from the Proton Capital setting out its relevant advices to the Independent Board Committee and the Independent Shareholders, (iv) other information as required under the Listing Rules and the Takeovers Code, and (v) a notice of the SGM, to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

THE SUBSCRIPTION AGREEMENT

Parties to and date of the Subscription Agreement

Date: 27 November 2013.

Parties: The Company (as the issuer); and

Wuling (Hong Kong) Holdings Limited (as the subscriber). The Subscriber is a controlling Shareholder as at the Latest Practicable Date.

Issue of the Convertible Notes

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Notes in the aggregate principal amount of HK$200,000,000, which will be issued on its face value.

Conditions Precedent

Completion of the Subscription is conditional upon the fulfillment of the following:

(a) the Independent Shareholders having passed ordinary resolution(s) at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares, in accordance with the requirements of the Listing Rules;

(b) the Independent Shareholders having passed ordinary resolution(s) at the SGM to approve the Whitewash Waiver and (if applicable) the special deal in accordance with the requirements of the Takeovers Code;

(c) the Executive having granted the Whitewash Waiver;

(d) (if applicable) the Executive having consented to the special deal;

(e) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares; and

(f) all necessary consents and approvals other than the approvals referred to in the above Conditions Precedent (a) to (e) having been obtained by the Subscriber or the Company in relation to the transactions contemplated under the Subscription Agreement.

None of the Conditions Precedent may be waived. If any of the Conditions Precedent has not been fulfilled on or before 30 January 2014 or such other date as may be agreed in writing by the Company and the Subscriber, the Subscription Agreement will lapse and the parties thereto will be released from all obligations thereunder, save for liabilities for any antecedent breaches of the Subscription Agreement.

As at the Latest Practicable Date, none of the above Conditions Precedent has been fulfilled. In addition, the Independent Shareholders' approval to the special deal under Condition Precedent (b) above and the Executive's consent to the special deal under Condition Precedent (d) above are not applicable as there is no special deal under Note 5 to Rule 25 of the Takeovers Code, details of which is set out in the section headed "The Special Deal" in this letter below.

Completion

Subject to all the Conditions Precedent having been fulfilled, completion of the Subscription will take place on the maturity date of the 2009 Convertible Notes, or such other date as may be agreed by the Company and the Subscriber in writing. Subsequently on 27 December 2013, the Subscriber has agreed to extend the repayment of the outstanding principal amount of the 2009 Convertible Notes of HK$100,000,000 to the date of completion of the Subscription, but in any event not later than 30 January 2014 or such later date as may be agreed between the Company and the Subscriber, being the long stop date of the Subscription Agreement. Upon completion of the Subscription, the total issue price of the Convertible Notes in the total amount of HK$200,000,000 will be satisfied (a) as to HK$100,000,000 by setting off against the Company's obligation to repay the outstanding principal amount of the 2009 Convertible Notes; and (b) as to HK$100,000,000 by setting off against the Company's obligation to repay the outstanding principal amount of the Shareholder's Loan.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarised below:

Total issue price and aggregate principal amount upon issue	:	HK$200,000,000.
Maturity Date	:	The date falling on the third anniversary of the Issue Date, on which all outstanding principal amount, together with all outstanding accrued interests, of the Convertible Notes will become due and payable by the Company to the Noteholder(s).
Redemption price at maturity	:	100% of the outstanding principal amount of the Convertible Notes on the Maturity Date, together with all unpaid and accrued interest due on the outstanding principal amount of the Convertible Notes.

Early redemption	:	Save for the occurrence of any event of default as set out in the terms and conditions of the Convertible Notes, the Noteholder(s) will not be entitled to demand for early repayment of the Convertible Notes.
Interest	:	The Convertible Notes will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 4.25% per annum. Interest will be payable yearly in arrears. In the event that the Company does not pay any sum payable under the Convertible Notes when due, a default interest at the rate of 10% per annum for the relevant default payment period will be payable by the Company. The interest rate was determined by the parties after arm's length negotiations and with references to: (i) the existing interest rate of the Shareholder's Loan of 4.5%; (ii) the prevailing market conditions; and (iii) the indicative costs of mid-term/long-term debt finance (without any pledges and securities) preliminarily quoted to the Company by its banks upon general enquiries.
Conversion Rights	:	A Noteholder will have the rights to convert the whole or part of the outstanding principal amount of a Convertible Note (in amount of not less than a whole multiple of HK$1,000,000 on each conversion, unless the outstanding principal amount of the Convertible Note to be converted is less than HK$1,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares at any time during the Conversion Period (as detailed below) at the Conversion Price (subject to adjustments) (as detailed below). The Company will not be obliged to issue any Conversion Shares if (i) immediately following the conversion, the Company will be unable to meet the prescribed minimum public float requirement under the Listing Rules; or (ii) a mandatory general offer will be required to be made by the Noteholder who exercise the Conversion Rights and the parties acting in concert with it under the Takeovers Code unless a whitewash waiver is obtained.
Conversion Period	:	The period from the date falling on the Issue Date up to and including the date falling on the fifth Business Day prior to the Maturity Date.

Conversion Price : The initial Conversion Price is HK$0.58 per Conversion Share, which will be subject to such usual adjustments as may be made in the event of (i) change in nominal value of the Shares upon, among others, share consolidation, share subdivision and share re-classification; (ii) issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalisation of profits or reserves; (iii) capital distribution to the Shareholders or grant to the Shareholders of rights to acquire for cash assets of the Group; (iv) offer, or grant, by the Company to the Shareholders of new Shares, or options or warrants to subscribe for new Shares, by way of rights at a price which is less than 90% of the relevant market price of the Shares; (v) issue of Shares or securities (the "**relevant convertible securities**") convertible into or exchangeable for or carrying rights of subscription for Shares for cash, or for acquisition of assets by the Group where the total effective price for the relevant Shares issued (for the case of issue of the relevant convertible securities, including consideration receivable by the Company for the relevant convertible securities and any additional minimum consideration to be received by the Company for the Shares which may be issued upon exercise of the conversion rights or exchangeable rights or subscription rights attaching to the relevant convertible securities) is less than 90% of the relevant market price of those Shares. The initial Conversion Price was determined by the parties after arm's length negotiations and with references to the historical prices during the last twelve months and the prevailing market prices of the Shares. The initial Conversion Price represents:

(i) a premium of approximately 3.57% over the closing price of HK$0.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 1.75% over the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 2.47% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, being approximately HK$0.566 per Share;

(iv) a premium of approximately 1.40% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day, being approximately HK$0.572 per Share;

(v) a premium of approximately 6.23% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day, being approximately HK$0.546 per Share;

(vi) a premium of approximately 14.74% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK$0.505 per Share;

(vii) a premium of approximately 11.35% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last twelve months up to and including the Last Trading Day, being approximately HK$0.521 per Share; and

(viii) a discount of approximately 7.94% to the consolidated net asset value of the Company of approximately HK$0.63 per Share based on the unaudited consolidated net assets of approximately RMB576,270,000 (equivalent to approximately HK$737,430,000) as at 30 June 2013 and 1,172,165,390 Shares in issue as at the Latest Practicable Date.

Ranking of the Conversion Shares	:	The Conversion Shares, when allotted and issued upon exercise of the Conversion Rights, shall rank pari passu in all respects with all other then issued Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.
Transferability	:	No assignment or transfer (whether in whole or in part(s)) of the Convertible Notes may be made unless: (a) it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the Noteholder(s); or (b) it is made to other person(s) who is(are) not connected person(s) of the Group.
Voting	:	A Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of being a Noteholder.
Redemption	:	Save for the occurrence of any events of default, the Convertible Notes are not redeemable prior to the Maturity Date and the Company will repay the outstanding principal amount of the Convertible Notes, together with all unpaid interests accrued thereon, on the Maturity Date.
Others	:	Upon execution of the Subscription Agreement, the Subscriber has undertaken not to exercise the Conversion Rights if it would result in (a) the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to the Company; or (b) a mandatory general offer for the Shares being required to be made by the Subscriber and the parties acting in concert with it under the Takeovers Code unless the Whitewash Waiver is obtained.

Assuming that the Conversion Rights in relation to the total principal amount of the Convertible Notes of HK$200,000,000 are exercised in full at the initial Conversion Price of HK$0.58 per Conversion Share, a total of up to 344,827,586 Conversion Shares will be allotted and issued, representing approximately 29.42% of the issued share capital of the Company as at the Latest Practicable Date and approximately 22.73% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares (assuming that save for the issue of the 344,827,586 Conversion Shares, there will be no change to the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights).

The Company will seek a specific mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares at the SGM. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights. No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange.

INFORMATION ON THE GROUP

The Group, including Wuling Industrial and its subsidiaries, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services in the PRC.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated in Hong Kong with limited liability and is a controlling Shareholder holding 433,651,975 Shares, representing approximately 37.0% of the issued share capital of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Liuzhou Wuling, a wholly state-owned limited enterprise established in the PRC. As at the Latest Practicable Date, the Subscriber is also the holder of the 2009 Convertible Notes and the lender of the Shareholder's Loan.

SHAREHOLDING STRUCTURE AND THE POTENTIAL DILUTION TO THE EXISTING PUBLIC SHAREHOLDERS

The following table shows the shareholding structure of the Company as at the Latest Practicable Date and immediately after issue of up to 344,827,586 Conversion Shares upon exercise in full of the Conversion Rights in relation to the aggregate principal amount of the Convertible Notes of HK$200,000,000 at the initial Conversion Price of HK$0.58 per Conversion Share (based on the existing shareholding structure of the Company and assuming that save for the issue of the 344,827,586 Conversion Shares to the Subscriber, there will be no change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of such Conversion Rights):

		As at the Latest Practicable Date *(Note 1)*		**Immediately after issue of 344,827,586 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price** *(Note 1)*	
		Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
I.	**The Subscriber and parties acting in concert with it**				
	The Subscriber *(Notes 2 and 4)*	433,651,975	37.00	778,479,561	51.32
	Dragon Hill *(Notes 3 and 4)*	281,622,914	24.02	281,622,914	18.57
	Mr. Wei Hongwen *(Note 5)*	200,000	0.02	200,000	0.01
	Sub-total	715,474,889	61.04	1,060,302,475	69.90
II.	**Other non-public Shareholder**				
	Mr. Zhou Sheji and associates *(Note 6)*	44,770,000	3.82	44,770,000	2.95
III.	**Public Shareholders**	411,920,501	35.14	411,920,501	27.15 *(Note 7)*
	Total	1,172,165,390	100.00	1,516,992,976	100.00

Notes:

1. The figures are derived at based on the existing shareholding structure of the Company and the assumption that save for the allotment and issue of up to 344,827,586 Conversion Shares to the Subscriber, there will be no change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the Conversion Rights.

2. The entire issued share capital of the Subscriber is held by Wuling HK, the entire issued share capital of which is held by Liuzhou Wuling.

3. The entire issued share capital of Dragon Hill is beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company.

4. The Subscriber and Dragon Hill (together with its sole beneficial owner, Mr. Lee Shing) are presumed to be acting in concert for the purpose of the Takeovers Code.

5. Mr. Wei Hongwen, an executive Director, is a director of, and a party acting in concert with, the Subscriber.

6. Mr. Zhou Sheji, an executive Director, through Gao Bao Development Limited, is beneficially interested in 44,770,000 Shares.

7. Upon the issue of 344,827,586 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price, the shareholding of public Shareholders will be diluted from approximately 35.14% of the issued share capital of the Company as at the Latest Practicable Date to approximately 27.15% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

REASONS FOR THE ISSUE OF CONVERTIBLE NOTES AND USE OF PROCEEDS

Pursuant to the subscription agreement entered into by the Company and the Subscriber on 28 November 2008, the Company issued the 2009 Convertible Notes with an aggregate principal amount of HK$100,000,000 to the Subscriber on 12 January 2009. Up to the Latest Practicable Date, no part of the conversion rights attached to the 2009 Convertible Notes has been exercised by the Subscriber as the holder thereof. In addition, having taken into account the fact that the current conversion price of HK$0.73 per Share, which is higher than the recent prevailing market price per Share (for instance, the closing price per Share as quoted on the Stock Exchange ranged from HK$0.49 to HK$0.62 during the period commencing from 2 October 2013 to the Latest Practicable Date), the Subscriber has advised that it has no intention to exercise any conversion rights attached to the 2009 Convertible Notes before the maturity date thereof on 12 January 2014, in which case the outstanding principal amount of the 2009 Convertible Notes, together with all unpaid and accrued interest thereon, will become due and repayable by the Company on 12 January 2014.

Subsequently on 27 December 2013, the Subscriber has agreed to extend the repayment of the outstanding principal amount of the 2009 Convertible Notes of HK$100,000,000 to the date of completion of the Subscription, but in any event not later than 30 January 2014 or such later date as may be agreed between the Company and the Subscriber, being the long stop date of the Subscription Agreement. An interest at the rate of 6% per annum, which is the same interest rate of the 2009 Convertible Notes, will be charged on the outstanding principal amount of HK$100,000,000 from 12 January 2014 up to the repayment date of the principal amount of the 2009 Convertible Notes. Except for the extension of the repayment date of the principal amount of the 2009 Convertible Notes mentioned above, all the terms of the 2009 Convertible Notes, including but not limited to the conversion rights attached to the 2009 Convertible Notes, will expire on 12 January 2014. The unpaid and accrued interests of the 2009 Convertible Notes of HK$6,000,000 (as accrued up to the maturity date of the 2009 Convertible Notes) will be repaid by the Company in cash on the maturity date, i.e. 12 January 2014.

In addition, the Subscriber has made shareholder's loans to the Group, including the Shareholder's Loan of HK$100,000,000 which currently bears interest of 4.5% per annum and which will become due on 30 August 2014. The Shareholder's Loan was originally made by the Subscriber to the Company on 30 August 2010 as a short-term loan of one-year for the purpose of financing the Company's capital injection into Wuling Industrial. Since then, upon the Company's requests, term of the Shareholder's Loan has been extended for another twelve months for three times and it will become due for repayment on 30 August 2014.

As at 30 June 2013, the Group's unaudited consolidated total assets amounted to approximately RMB10,513,229,000 (equivalent to approximately HK$13,453,359,000) (comprising unaudited consolidated non-current assets of approximately RMB1,894,154,000 (equivalent to approximately HK$2,423,873,000) and unaudited consolidated current assets of approximately RMB8,619,075,000 (equivalent to approximately HK$11,029,486,000)), whereas its unaudited consolidated total liabilities amounted to approximately RMB9,179,056,000 (equivalent to approximately HK$11,746,071,000) (comprising unaudited consolidated non-current liabilities of approximately RMB592,266,000 (equivalent to approximately HK$757,899,000) and unaudited consolidated current liabilities of approximately RMB8,586,790,000 (equivalent to approximately HK$10,988,172,000)). Hence, the Group's unaudited consolidated net current assets as at 30 June 2013 amounted to approximately RMB32,285,000 (equivalent to approximately HK$41,314,000), representing a decline as compared to the audited consolidated net current assets of RMB126,859,000 (equivalent to approximately HK$162,336,000) as at 31 December 2012. The Directors consider that such decline of consolidated net current assets was mainly attributable to the reclassification of the outstanding amounts of the 2009 Convertible Notes from non-current liabilities as at 31 December 2012 to current liabilities as at 30 June 2013 (which amounted to RMB79,527,000 (equivalent to approximately HK$101,768,000) as at 30 June 2013) given the 2009 Convertible Notes would become mature in less than twelve months. As at 30 June 2013, the Group's unaudited consolidated balances of bank and cash amounted to approximately RMB164,775,000 (equivalent to approximately HK$210,830,000). Having taken into account the Company's obligation to repay a total of approximately HK$210,800,000 upon the respective due dates of the 2009 Convertible Notes and the Shareholder's Loan (details of which are set in the following paragraph) and the need to retain sufficient funds for the Group's daily operations, the Directors consider that it is not feasible and not in the interest of the Group to use its balances of bank and cash to finance redemption of the 2009 Convertible Notes and repayment of the Shareholder's Loan.

In view of the unaudited consolidated financial position, in particular, the declining net current assets and balances of bank and cash, of the Group as at 30 June 2013, the Board is of the opinion that it is appropriate for the Group to raise mid-term and/or long-term funds in the near future to finance redemption of the 2009 Convertible Notes in January 2014 and repayment of the Shareholder's Loan which is due on 30 August 2014. In addition, after taking into account (i) the aggregate amount of approximately HK$210,800,000 which is due for repayment by the Company upon (a) the maturity date of the 2009 Convertible Notes on 12 January 2014 (the total amount of the accrued interest of HK$6,000,000 (as accrued up to the maturity date of the 2009 Convertible Notes); (b) the extended repayment date of the 2009 Convertible Notes on the date of completion of the Subscription (the total amount due for repayment relating thereto is approximately HK$100,300,000, comprising the principal amount of HK$100,000,000 and the interest of approximately HK$300,000 (as accrued from 12 January 2014 up to the extended repayment date of the 2009 Convertible Notes, assuming to be on 30 January 2014)); and (c) the due date of the Shareholder's Loan on 30 August 2014 (the total amount due for repayment relating thereto is HK$104,500,000, comprising the principal amount of HK$100,000,000 and the interest of HK$4,500,000 (as accrued up to the due date of the Shareholder's Loan on 30 August 2014)) and which represented approximately 31.6% of the total market capitalization of the Company as at the Last Trading Day, (ii) the prevailing market prices and trading volume of the Shares which are not favourable to a fund raising exercise for substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required, as the Company have enquired certain brokerage houses and no favourable response was received from them, (iii) the indicative preference of the banks of the Company to provide the Company with short-term instead of mid-term to long-term loans, as well as the higher indicative costs of mid-term/ long-term finance (without any pledges and securities) preliminarily quoted to the Company by the banks upon on general enquiries (as compared to the 4.25% interest charged for the Convertible Notes), and (iv) the Group's unaudited consolidated balance of bank and cash amounted to approximately RMB164,775,000 (equivalent to approximately HK$210,830,000) which is insufficient to redeem the 2009 Convertible Notes and repay the Shareholder's Loan without affecting the daily operations of the Group, the Directors (including the independent non-executive Directors who have considered the advices from Proton Capital) are of the view that the issue of the Convertible Notes, which will not lead to immediate dilution effect on the Shareholders' shareholding interest in the Company, is an appropriate means of raising substantial amount of mid-term funds to fulfill the Group's repayment obligation under the 2009 Convertible Notes and the Shareholder's Loan although upon the issue of 344,827,586 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price, the shareholding of public Shareholders will be diluted from approximately 35.14% of the issued share capital of the Company as at the Latest Practicable Date to approximately 27.15% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. Based on the above, the Directors (including the independent non-executive Directors who have considered the advices from Proton Capital) consider the terms and conditions of the Subscription Agreement as well as the terms of the Convertible Notes are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The initial Conversion Price is determined after arm's length negotiations between the parties to the Subscription Agreement with reference to, among others, the various averages of the closing prices of the Shares during the period from the last twelve months (i.e. from 26 November 2012) up to and including the Last Trading Day (the "**Last 12 Months**"). As disclosed in the section headed "Principal Terms of the Convertible Notes" in this letter above, although the initial Conversion Price represented a discount of approximately 7.94% to the unaudited consolidated net asset value of the Company of approximately HK$0.63 per Share as at 30 June 2013, the initial Conversion Price represented (i) premiums ranged from 1.40% to 14.74% over the closing price of the Shares on the Last Trading Day and various averages of the closing prices of the Shares during the Last 12 Months; and (ii) a premium of approximately 27.7% over the lowest closing price of HK$0.455 per Share (on 25 June 2013) and a discount of approximately 6.9% to the highest closing price of HK$0.62 per Share (on 9 January 2013 and 8 November 2013) respectively during the Last 12 Months. In addition, the Shares were generally traded below the initial Conversion Price during the Last 12 Months, among 245 trading days in the Last 12 Months, only 22 trading days in which the closing prices of the Shares were higher than HK$0.58 per Share, with 18 trading days in which the closing prices of the Shares were equal to HK$0.58 per Share and 205 trading days in which the closing prices of the Shares were below HK$0.58 per Share. Moreover, the liquidity of the Shares during the Last 12 Months was generally thin, among 245 trading days in the Last 12 Months, no Share was traded in 43 trading days, with the average daily trading volume of Shares for each month/period ranged from the lowest of 52,083 Shares (representing approximately 0.02% of the Conversion Shares) in August 2013 to the highest of 1,510,208 Shares (representing approximately 0.44% of the Conversion Shares) in November 2013. After taking account of such price performance and liquidity of the Shares, the Directors (including the independent non-executive Directors who have considered the advices from Proton Capital) are of the view that it would not be easy for the Company to raise funds from the market by issuing Shares at the same price of or above the initial Conversion Price under the current market conditions for the purpose of meeting its repayment obligation in respect for the 2009 Convertible Notes and the Shareholder's Loan (in particular the 2009 Convertible Notes which will become mature shortly in January 2014). Furthermore, given the volatility of the stock market, there is uncertainty in the performance of prices of the Shares in the next three years, the Directors consider that to determine the initial Conversion Price with reference to the various averages of the closing prices of the Shares during the Last 12 Months (of which the initial Conversion Price represented premiums ranged from 1.40% to 14.74% over them and also represented a premium of approximately 1.75% over the closing price on the Last Trading Day) is fair and reasonable. Based on the above, the Directors consider the initial Conversion Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The gross proceeds and net proceeds from the issue of the Convertible Notes will be HK$200,000,000 and estimated to be approximately HK$198,000,000 respectively. Based on the estimated net proceeds from the issue of the Convertible Notes and a total of up to 344,827,586 Conversion Shares to be issued at the initial Conversion Price upon exercise of the Conversion Rights in full, the net issue price per Conversion Shares would be approximately HK$0.57. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the issue price of the Convertible Notes in the total amount of HK$200,000,000 will be satisfied by setting off the Company's obligation to repay the respective principal amounts of the 2009 Convertible Notes and the Shareholder's Loan. In addition, (i) the unpaid and accrued interest on the 2009 Convertible Notes of approximately HK$6,300,000 (as accrued up to the extended repayment date of the 2009 Convertible Notes), (ii) the unpaid and accrued interest on the Shareholder's Loan of approximately HK$1,874,000 (as accrued up to the expected repayment date of the Shareholder's Loan upon completion of the Subscription Agreement (currently expected to take place in January 2014)), and (iii) the estimated costs of approximately HK$2,000,000 relating to the issue of the Convertible Notes will be satisfied by the internal resources of the Group.

INTENTION OF THE SUBSCRIBER

It is the intention of the Subscriber that the Group will continue its current business, and the Subscriber has no intention to make any major changes to the business (including redeployment of fixed assets of the Group) or continued employment of the employees of the Group.

Given that the Subscriber has no intention to change any businesses and employments of the Group, the Directors are of the view that there will be no distortion or interruption to the Group's operations which will continue to be operated upon completion of the Subscription as before.

THE WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber held 433,651,975 Shares, representing approximately 37.0% of the existing issued share capital of the Company. Upon issue of up to 344,827,586 Conversion Shares resulting from exercise of the Conversion Rights at the initial Conversion Price in full, and assuming that save for the issue of such Conversion Shares to the Subscriber, there will be no change to the issued share capital and shareholding structure of the Company from the Latest Practicable Date up to (and including) the date of issue of the Conversion Shares resulting from exercise in full of the Conversion Rights, the shareholding of the Subscriber in the Company will increase from approximately 37.0% (of the existing issued share capital of the Company) to approximately 51.32% (of the issued share capital of the Company as enlarged by the issue of the Conversion Shares). Given that the allotment and issue of the Conversion Shares to the Subscriber will increase its holding of voting rights in the Company by more than 2% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2% creeper threshold specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and any parties acting in concert with it will, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it. The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code on the basis that, among other things, the Whitewash Waiver shall be subject to the approval of the Independent Shareholders at the SGM by way of poll whereby (a) the Subscriber, its associates, parties acting in concert with it (including but not limited to Dragon Hill and Mr. Wei Hongwen), and (b) any other persons who are interested or involved in the Subscription Agreement and the Whitewash Waiver or who are prohibited to vote under the Listing Rules and the Takeovers Code will abstain from voting and will not vote at the SGM. If the Whitewash Waiver is not granted by the Executive, completion of the Subscription Agreement (hence the issue of the Convertible Notes) will not proceed.

The Executive has indicated that, subject to the approval by the Independent Shareholders at the SGM by way of poll, it will grant the Whitewash Wavier.

In the event that the Whitewash Waiver is granted by the Executive, and the voting rights of the Subscriber exceed 50% of the voting rights of the Company resulting from exercise of the Conversion Rights to subscribe for the Conversion Shares, the Subscriber may increase its shareholding in the Company after such exercise of the Conversion Rights without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, save for (i) the 2009 Convertible Notes, which are held by the Subscriber and carry rights to convert the outstanding principal amount of HK$100,000,000 for subscription of a total of 136,986,300 Shares at the current conversion price of HK$0.73 per Share, and (ii) the Share Options which carry subscription rights for the holders thereof (including certain parties acting in concert with the Subscriber as detailed in the following paragraph) to subscribe for a total of 133,237,068 new Shares at prices ranging from HK$0.49 per Share to HK$1.062 per Share, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

The Subscriber has confirmed that save for up to a total of 344,827,586 Conversion Shares which will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Notes to be issued to the Subscriber upon completion of the Subscription Agreement, neither the Subscriber nor any parties acting in concert with it (including Dragon Hill and Mr. Wei Hongwen) have acquired voting rights in the Company nor dealt in any securities of the Company and there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Takeovers Code, within the six-month period prior to the date of the Announcement and up to and including the Latest Practicable Date.

The Subscriber has confirmed that as at the Latest Practicable Date, (i) 433,651,975 Shares, representing approximately 37.0% of the existing issued share capital of the Company, are held by the Subscriber; (ii) the 2009 Convertible Notes are held by the Subscriber; (iii) 281,622,914 Shares, representing approximately 24.02% of the existing issued share capital of the Company, are held by Dragon Hill; (iv) 200,000 Shares, representing approximately 0.02% of the existing issued share capital of the Company, are held by Mr. Wei Hongwen (who is a director of the Subscriber and an executive Director); and (v) certain Share Options carrying subscription rights to subscribe for a total of 22,595,074 Shares which are held by Mr. Sun Shaoli (who is a director of the Subscriber as well as an executive Director and the Chairman of the Company), Mr. Wei Hongwen (who is a director of the Subscriber and an executive Director), Mr. Zhong Xianhua (who is a senior management member of the Subscriber and an executive Director), 3 other individuals who hold/held directorships and/or senior management posts in the Subscriber and/or its holding companies (including an ex-director of Liuzhou Wuling), and Mr. Lee Shing (who is (a) an executive Director, the Vice-chairman and the Chief Executive Officer of the Company, and (b) the ultimate beneficial owner of Dragon Hill and a substantial Shareholder) and his spouse.

The Subscriber has further confirmed that save for (A) the Subscriber's interest in the Subscription Agreement (together with the Convertible Notes to be issued to it upon completion of the Subscription, and the Conversion Shares which may be allotted and issued to it upon exercise of the Conversion Rights attaching to the Convertible Notes), (B) the interests of the Subscriber and the parties acting in concert with it in the Shares, the 2009 Convertible Notes and the Share Options, details of which are set out in the above paragraph, and (C) the Whitewash Waiver to be applied by the Subscriber, as at the Latest Practicable Date:

(i) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber and which might be material to the Subscription and/or the Whitewash Waiver;

(ii) there is no agreements or arrangements to which any of the Subscriber or any parties acting in concert with it is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver;

(iii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Subscriber or any person acting in concert with it;

(iv) neither the Subscriber nor any parties acting in concert with it owns, controls or has direction over any voting rights, rights over Shares, convertible securities, warrants or options of the Company;

(v) neither the Subscriber nor any parties acting in concert with it has received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Subscription and/or the Whitewash Waiver; and

(vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber or any person acting in concert with it has borrowed or lent.

THE SPECIAL DEAL

Subject to completion of the Subscription, (i) the outstanding principal amount of the 2009 Convertible Notes of HK$100,000,000 and the outstanding principal amount of the Shareholder's Loan of HK$100,000,000 will be settled by the Company by way of setting off such outstanding principal amounts of the 2009 Convertible Notes and the Shareholder's Loan against the issue price of the Convertible Notes of HK$200,000,000, and (ii) the unpaid and accrued interests of the 2009 Convertible Notes and the Shareholder's Loan of approximately HK$6,300,000 (as accrued up to the extended repayment date of the 2009 Convertible Notes) and approximately HK$1,874,000 (as accrued up to the expected repayment date of the Shareholder's Loan upon completion of the Subscription Agreement) respectively will be settled by the Company in cash.

After further consideration, the Directors would like to clarify that the repayment of the principal amounts of the 2009 Convertible Notes and the Shareholder's Loan, together with the interests accrued thereon, by the Company to the Subscriber, who is a controlling Shareholder, would not constitutes a special deal for the Company under Note 5 to Rule 25 of the Takeovers Code given that the redemption of the 2009 Convertible Notes and the repayment of the

Shareholder's Loan are with the Subscriber only and does not constitute an arrangement with or an offer to any other Shareholders. Accordingly, no application has been or will be made to the Executive for his consent.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THE LATEST PRACTICABLE DATE

The Company issued a total number of 1,560,000 new Shares to certain employees of the Group upon exercises of Share Options held by them on 10 January 2013, 21 January 2013, 29 January 2013, 30 January 2013, 7 November 2013 and 8 November 2013 respectively, and raised an aggregate net proceeds of approximately HK$760,000 for use as working capital by the Company. Save as disclosed in this paragraph, the Company has not conducted any other fund raising activities in the past twelve months immediately before the Latest Practicable Date.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Subscriber is beneficially interested in approximately 37.0% of the issued share capital of the Company, hence it is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is thereby subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

(i) Mr. Lee Shing who is a Director and a party acting in concert with the Subscriber; and (ii) Mr. Sun Shaoli, Mr. Wei Hongwen and Mr. Zhong Xianhua, who are Directors and also directors and/or senior management of the Subscriber respectively, have abstained from voting on the board resolutions passed to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

THE SGM

The SGM will be held at 3:30 p.m. on 23 January 2014 on Thursday, or immediately after the special general meeting of the Company to be held at 3:00 p.m. on the same day at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver by way of poll. The Subscriber, the parties acting in concert with it (including Dragon Hill and Mr. Wei Hongwen) and their respective associates, all of which in aggregate hold approximately 61.04% of the issued share capital of the Company as at the Latest Practicable Date, and any persons who are involved or interested in the Subscription and the Whitewash Waiver or who are prohibited to vote under the Listing Rules and the Takeovers Code will abstain from voting and will not vote at the SGM with respect to the resolutions to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver. The Company will announce the results of the poll in accordance with the Listing Rules following the SGM.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders as set out on pages 26 to 27 of this circular; and (ii) the letter from Proton Capital setting out its relevant advices to the Independent Board Committee and the Independent Shareholders as set out on pages 28 to 42 of this circular, in relation to the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

The Independent Board Committee, having considered the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver and having taken into account the relevant advices of Proton Capital, considers that the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions in connection with the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular and the notice of SGM as set out on pages 168 to 169, which form part of this circular.

Shareholders and potential investors should note that completion of the Subscription is subject to the Conditions Precedent and completion thereof may not proceed unless (a) the Independent Shareholders approve the resolutions regarding the Subscription (together with the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver by way of poll at the SGM and (b) the Whitewash Waiver is granted by the Executive. Completion of the Subscription (hence the issue of the Convertible Notes) will not proceed if any of these approvals are not obtained. Shareholders and potential investors are therefore reminded to exercise caution when dealings in the Shares and any other securities of the Company.

By order of the Board
Wuling Motors Holdings Limited
Sun Shaoli
Chairman

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)*

3 January 2014

To the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION RELATING TO PROPOSED ISSUE OF CONVERTIBLE NOTES AND APPLICATION FOR WHITEWASH WAIVER

We have been appointed as members of the Independent Board Committee to advise you in respect of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver, details of which are set out in the letter from the Board in the circular (the "**Circular**") of the Company dated 3 January 2014, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter from Proton Capital as set out on pages 28 to 42 of the Circular, which contains its advices and recommendations to us as to whether or not the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advices and recommendations.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Proton Capital as stated in its aforementioned letter, we are of the opinion that the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Yu Xiumin	**Zuo Duofu**	**Ye Xiang**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription and the Whitewash Waiver for the purpose of inclusion in this circular.

普頓資本有限公司
PROTON CAPITAL LIMITED

Suite 06–07, 28/F.
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

3 January 2014

To: The independent board committee and the independent shareholders of Wuling Motors Holdings Limited

CONNECTED TRANSACTION RELATING TO PROPOSED ISSUE OF CONVERTIBLE NOTES AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 3 January 2014 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 November 2013, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Notes in the aggregate principal amount of HK$200,000,000. The initial Conversion Price is HK$0.58 per Conversion Share, and the Convertible Notes carry an interest of 4.25% per annum and will mature on the third anniversary of the Issue Date.

Given that the Subscriber is a connected person of the Company, the Subscription constitutes a connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

With reference to the Board Letter, upon full conversion of the Convertible Notes, assuming that there are no other changes in the issued share capital of the Company, the allotment and issue of the Conversion Shares to the Subscriber will increase its holding of voting rights in the Company by more than 2% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2% creeper threshold as specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and any parties acting in concert with it will therefore, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll.

Pursuant to the Subscription Agreement, the granting of the Whitewash Waiver by the Executive is a Condition Precedent which is not waivable by either party thereto.

An Independent Board Committee comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; (iii) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the SGM. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in all these respects and such appointment has been approved by the Independent Board Committee.

All members of the Independent Board Committee have confirmed to the Company that they are (i) independent of and not parties acting in concert with the Subscriber and parties acting in concert with it; and (ii) independent in respect of each of the Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. Should there be any material changes to our opinion after the despatch of the Circular, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Subscriber and parties acting in concert with it, but including the information on Dragon Hill) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statements in the Circular misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than those relating to the Group and Dragon Hill) and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement contained in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associated companies, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

(A) The Subscription

In arriving at our opinion in respect of the Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background of the Subscription

Business overview of the Group

With reference to the Board Letter, the Group, including Wuling Industrial and its subsidiaries, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialised vehicles, as well as the trading of raw materials, water and power supply services in the PRC.

Set out below are the consolidated financial information on the Group for the six months ended 30 June 2013 and the two years ended 31 December 2012 as extracted from the Company's interim report for the six months ended 30 June 2013 (the "**2013 Interim Report**") and its annual report for the year ended 31 December 2012 respectively:

	For the six month ended 30 June 2013	**For the year ended 31 December 2012**	**For the year ended 31 December 2011**	**Change from 2011 to 2012**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	(audited)	(audited)	
Revenue	6,489,908	11,856,125	10,908,602	8.69
Profit for the period/year	74,955	98,577	136,455	(27.76)

	As at 30 June 2013	**As at 31 December 2012**	**As at 31 December 2011**	**Change from December 2012 to June 2013**	**Change from December 2011 to December 2012**
	RMB'000	*RMB'000*	*RMB'000*	*%*	*%*
	(unaudited)	(audited)	(audited)		
Net current assets	32,285	126,859	217,312	(74.55)	(41.62)
Bank balances and cash	164,775	483,161	849,846	(65.90)	(43.15)

As depicted by the above table, the Group recorded total turnover of approximately RMB11,856.1 million for the year ended 31 December 2012, representing an increase of approximately 8.69% as compared to the prior financial year. According to the Directors, such increase in turnover was mainly attributable to the continuous growth of business volume of the key customer of the Group and was in line with the overall growth of the automobile industry in the PRC during the year. However, the net profit of the Group decreased by approximately 27.76% in 2012. As advised by the Directors, such decrease in profitability was primarily the result of the fair value adjustments of the 2009 Convertible Notes and an one-off share option expenses incurred for the year.

With regard to the liquidity position of the Group, we noted that the Group's consolidated net current assets as well as its total bank balances and cash recorded continuous substantial reductions from 31 December 2011 to 30 June 2013. In particular, the Directors confirmed that the consolidated net current assets of the Group decreased by more than 70% from 31 December 2012 to 30 June 2013 largely due to the reclassification of the outstanding amount of the 2009 Convertible Notes from non-current liabilities as at 31 December 2012 to current liabilities as at 30 June 2013 since the 2009 Convertible Notes would become mature in less than 12 months. In addition, we have further enquired into the Directors and were advised that the Group had total bank balances and cash of approximately RMB459,649,000 (equivalent to approximately HK$588,194,000) as at 31 October 2013, of which approximately RMB7,563,000 (equivalent to approximately HK$9,678,000 was maintained by the Company whereas the remaining balance of approximately RMB452,086,000 (equivalent to approximately HK$578,516,000) was maintained by Wuling Industrial and its subsidiaries for their working capital purpose. As represented by the Directors, the Group's total bank balances and cash which are available for use by the Company should be insufficient to fulfill the Company's obligation to repay a total of approximately HK$210,800,000 upon the respective due dates of the 2009 Convertible Notes and the Shareholder's Loan (details of which are set out in the latter sections of this letter) without affecting the Group's daily operations. In view of the aforesaid, the Directors are of the opinion that it is appropriate for the Group to raise mid-term and/or long-term funds in the near future to finance the redemption of the 2009 Convertible Notes in January 2014 and the repayment of the Shareholder's Loan which is due on 30 August 2014.

Information on the Subscriber

According to the Board Letter, the Subscriber is a company incorporated in Hong Kong with limited liability, and is a controlling shareholder of the Company and an indirect wholly-owned subsidiary of Liuzhou Wuling. As at the Latest Practicable Date, the Subscriber was also the holder of the 2009 Convertible Notes and the lender of the Shareholder's Loan.

According also to the Board Letter, it is the intention of the Subscriber that the Group will continue with its current business, and the Subscriber has no intention to make any changes to the business (including redeployment of fixed assets of the Group) or continued employment of the employees of the Group.

Financing alternatives available to the Group

As extracted from the Board Letter, the Company issued a total number of 1,560,000 new Shares to certain employees of the Group upon exercises of the Share Options held by them on 10 January 2013, 21 January 2013, 29 January 2013, 30 January 2013, 7 November 2013 and 8 November 2013 respectively, and raised an aggregate net proceeds of approximately HK$760,000 for use as working capital by the Company. Save as disclosed in this paragraph, the Company had not conducted any other fund raising activities in the past twelve months immediately before the Latest Practicable Date.

Upon our enquiry with the Directors, we understand that apart from the Subscription, the Directors have also considered other fund raising alternatives for the Group, including both debt and equity financing. In relation to debt financing, the Directors advised us that they have enquired various banks in general and received their indicative preference to provide the Company with short-term instead of mid-term to long-term loans, as well as the higher preliminary indicative costs (as compared to the 4.25% interest charged for the Convertible Notes) of mid-term/long-term finance (without any pledges and securities). As for equity financing, taking into account (i) the prevailing market prices and trading volume of the Shares which are not favourable to a fund raising exercise for substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis (e.g. rights issue and open offer) where considerable discount to the market prices of the Shares would be required; and (ii) that the Company have enquired certain brokerage houses and no favourable response was received from them, the Directors did not consider equity financing to be a feasible financing alternative and we concur with the Directors in this respect.

Reasons for the Subscription and use of proceeds

Pursuant to the subscription agreement entered into by the Company and the Subscriber on 28 November 2008, the Company issued the 2009 Convertible Notes with an aggregate principal amount of HK$100,000,000 to the Subscriber on 12 January 2009. Up to the Latest Practicable Date, no part of the conversion rights attaching to the 2009 Convertible Notes had been exercised by the Subscriber as the holder thereof. Moreover, having taken into account the fact that the current conversion price of the 2009 Convertible Notes is HK$0.73 per Share (the "**2009 CN Price**"), which is higher than the recent prevailing market prices of the Shares, the Directors confirmed that the Subscriber has advised the Company that it has no intention to exercise any conversion rights attaching to the 2009 Convertible Notes before the maturity date thereof on 12 January 2014, in which case the outstanding principal amount of the 2009 Convertible Notes, together with all unpaid and accrued interest thereon, will become due and repayable by the Company on 12 January 2014.

Subsequently on 27 December 2013, the Subscriber has agreed to extend the repayment of the outstanding principal amount of the 2009 Convertible Notes to the date of completion of the Subscription, but in any event not later than 30 January 2014 or such later date as may be agreed between the Company and the Subscriber, being the long stop date of the Subscription Agreement. An interest at the rate of 6% per annum, which is the same interest rate of the 2009 Convertible Notes, will be charged on its outstanding principal amount from 12 January 2014 up to the repayment date.

On the other hand, the Subscriber has made shareholder's loans to the Group, including the Shareholder's Loan of HK$100,000,000 which currently bears an interest of 4.5% per annum and will become due on 30 August 2014. The Shareholder's Loan was originally made by the Subscriber to the Company on 30 August 2010 as a short-term one-year loan for the purpose of financing the Company's capital injection into Wuling Industrial. Since then, upon the Company's requests, the term of the Shareholder's Loan has been extended several times to 30 August 2014.

As mentioned under the sub-section headed "Business overview of the Group" of this letter, in view of the unaudited consolidated financial position, in particular, the declining net current assets of the Group as at 30 June 2013 and the insufficiency of the Company's total bank balances and cash on hand, the Directors are of the opinion that it is appropriate for the Group to raise mid-term and/or long-term funds in the near future to finance the redemption of the 2009 Convertible Notes in January 2014 and the repayment of the Shareholder's Loan which is due on 30 August 2014. In addition, after taking into account (i) the aggregate amount of HK$210,800,000 (comprising the outstanding principals together with the respective interests accrued thereon) which is due for repayment by the Company upon (a) the maturity date of the 2009 Convertible Notes on 12 January 2014 and (b) the extended repayment date of the 2009 Convertible Notes on the date of completion of the Subscription and (c) the due date of the Shareholder's Loan on 30 August 2014 (for details, please refer to the Board Letter), which represented over 30% of the total market capitalisation of the Company as at the Last Trading Day; and (ii) the weaknesses of the other financing alternatives available to the Group as elaborated under the sub-section headed "Financing alternatives available to the Group" of this letter, the Directors are of the view that the issue of the Convertible Notes, which will not lead to immediate dilution effect on the shareholding interests of the Shareholders in the Company, is an appropriate means of raising substantial amount of mid-term funds to fulfill the Company's repayment obligation under the 2009 Convertible Notes and the Shareholder's Loan without affecting the Group's daily operations.

As referred to in the Board Letter, the gross proceeds and net proceeds from the issue of the Convertible Notes will be HK$200,000,000 and estimated to be approximately HK$198,000,000 respectively. Pursuant to the Subscription Agreement, upon completion of the Subscription, the issue price of the Convertible Notes in the total amount of HK$200,000,000 will be satisfied by setting off against the Company's obligation to repay the respective principal amounts of the 2009 Convertible Notes and the Shareholder's Loan. Furthermore, (i) the unpaid and accrued interests on the 2009 Convertible Notes and the Shareholder's Loan amounting to approximately HK$8,174,000 in total (for details, please refer to the Board Letter); and (ii) the estimated costs of approximately HK$2,000,000 relating to the issue of the Convertible Notes will be satisfied by the internal resources of the Group.

Having considered the above reasons for and possible benefits of the Subscription and the proposed use of the net proceeds from the Subscription to redeem the 2009 Convertible Notes and repay the Shareholder's Loan, we concur with the Directors that the reasons for the Subscription are justifiable and the Subscription is in the interests of the Company and the Shareholders as a whole.

(2) The Subscription Agreement

On 27 November 2013, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Notes in the aggregate principal amount of HK$200,000,000. The initial Conversion Price is HK$0.58 per Conversion Share, and the Convertible Notes carry an interest of 4.25% per annum and will mature on the third anniversary of the Issue Date.

The Conversion Price

As stated in the Board Letter, the initial Conversion Price was determined by the parties to the Subscription Agreement after arm's length negotiations and with references to the historical prices during the last 12 months and the prevailing market prices of the Shares (for details, please refer to the Board Letter under the section headed "Reasons for the issue of Convertible Notes and use of proceeds"). Notwithstanding that the initial Conversion Price is lower than the 2009 CN Price, we understand from the Directors that as a result of changes in different market conditions of the Shares as explained in the Board Letter, it would not be easy for the Company to raise funds from the market by issuing the Shares at the same price. As the stock market condition is ever-changing and the Group's business and financial performance vary from time to time, we are of the opinion that comparison between the initial Conversion Price and the 2009 CN Price may be less meaningful especially under the situation that the 2009 Convertible Notes will mature in less than one month from the date hereof.

The initial Conversion Price of HK$0.58 per Conversion Share represents:

(a) a premium of approximately 3.57% over the closing price of HK$0.56 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 1.75% over the closing price of HK$0.57 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 2.47% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, being approximately HK$0.566 per Share;

(d) a premium of approximately 1.40% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day, being approximately HK$0.572 per Share;

(e) a premium of approximately 6.23% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day, being approximately HK$0.546 per Share;

(f) a premium of approximately 14.74% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including the Last Trading Day, being approximately HK$0.505 per Share;

(g) a premium of approximately 11.35% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last 12 months up to and including the Last Trading Day, being approximately HK$0.521 per Share; and

(h) a discount of approximately 7.94% to the consolidated net asset value of the Group of approximately HK$0.63 per Share based on the unaudited consolidated net assets of approximately RMB576,270,000 (equivalent to approximately HK$737,430,000) as at 30 June 2013 and 1,172,165,390 Shares in issue as at the Latest Practicable Date.

In order to assess the fairness and reasonableness of the initial Conversion Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange in 2013, i.e. during the period commencing from 2 January 2013 up to and including the Latest Practicable Date (the "**Review Period**"). Given the volatility of the stock market, there is uncertainty in the performance of the market prices of the Shares in the future. Furthermore, although the Convertible Notes have a maturity of three years, they can be converted during the period from the date falling on the Issue Date up to and including the date falling on the fifth Business Day prior to the Maturity Date. Therefore, we concur with the Directors that it is more appropriate to determine the initial Conversion Price with reference to the various averages of the closing prices of the Shares during the Last 12 Months (as defined in the Board Letter).

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the Review Period are shown as follows:

Month	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Average daily closing price** *(HK$)*	**No. of trading days in each month**
2013				
January	0.620	0.540	0.579	22
February	0.600	0.540	0.580	17
March	0.560	0.480	0.515	20
April	0.510	0.470	0.486	20
May	0.510	0.475	0.490	21
June	0.500	0.455	0.482	19
July	0.520	0.485	0.507	22
August	0.510	0.465	0.489	21
September	0.500	0.470	0.489	20
October	0.530	0.490	0.510	21
November	0.620	0.530	0.570	21
December (up to and including the Last Practicable Date)	0.610	0.540	0.562	20

Source: the Stock Exchange's website (www.hkex.com.hk)

As shown by the above table, we noticed that the closing prices of the Shares had fluctuated in the range of HK$0.455 to HK$0.62 during the Review Period. The initial Conversion Price was above or equal to (i) the monthly average daily closing prices of the Shares in all months of the Review Period; and (ii) the closing price of the Shares in 218 trading days out of the total 244 trading days. Furthermore, the initial Conversion Price represented premiums over the prevailing closing prices of the Shares in the magnitude as presented earlier in this sub-section despite that it was at discount to the net asset value of the Group as at 30 June 2013. With all these being the case, we are of the view that the initial Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Adjustment to the initial Conversion Price

Under the terms of the Subscription Agreement, the initial Conversion Price is subject to adjustment upon occurrence of certain prescribed events (the "**Adjustments**"), among other things, consolidation or subdivision or reclassification of the Shares; issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalisation of profits or reserves; capital distribution to the Shareholders or grant to the Shareholders of rights to acquire for cash assets of the Group; offer, or grant, by the Company to the Shareholders new Shares, or options or warrants to subscribe for new Shares; and issue of the relevant convertible securities (for details, please refer to the Board Letter). From our research over the announcements published on the web-site of the Stock Exchange at http://www.hkex.com.hk, we noticed that similar conversion price adjustment mechanism in various forms are often included in the terms of the convertible bonds/notes issued by other listed companies in Hong Kong. Due to this reason, we are of the view that the Adjustments are rather usual under normal market practice.

Interest rate of the Convertible Notes

As advised by the Directors, the Group had certain borrowings and shareholder's loans (including the Shareholder's Loan) as at the Latest Practicable Date which carried interests from 1.96% to 6.00% per annum. Moreover, we noted that the interest rate of the 2009 Convertible Notes is 6% per annum.

In light of the above, we are of the view that the interest rate of the Convertible Notes being within the interest rates range of the Group's existing borrowings and shareholder's loan and below the interest rate of the 2009 Convertible Notes, is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered and analysed the aforesaid terms of the Subscription Agreement, we consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the full conversion of the Convertible Notes at the initial Conversion Price (assuming there being no other changes in the issued share capital of the Company):

	As at the Latest Practicable Date *(Note 1)*		**Immediately after the issue of 344,827,586 Conversion Shares to the Subscriber upon exercise in full of the Conversion Rights at the initial Conversion Price** *(Note 1)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
The Subscriber *(Notes 2 and 4)*	433,651,975	37.00	778,479,561	51.32
Dragon Hill *(Notes 3 and 4)*	281,622,914	24.02	281,622,914	18.57
Mr. Wei Hongwen *(Note 5)*	200,000	0.02	200,000	0.01
Sub-total	715,474,889	61.04	1,060,302,475	69.90
Mr. Zhou Sheji and his associates *(Note 6)*	44,770,000	3.82	44,770,000	2.95
Public Shareholders	411,920,501	35.14	411,920,501	27.15
Total	**1,172,165,390**	**100**	**1,516,992,976**	**100**

Notes:

1. The figures are derived at based on the existing shareholding structure of the Company and the assumption that save for the allotment and issue of up to 344,827,586 Conversion Shares to the Subscriber, there will be no change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from the exercise in full of the Conversion Rights.

2. The entire issued share capital of the Subscriber is held by Wuling HK, the entire issued share capital of which is held by Liuzhou Wuling.

3. The entire issued share capital of Dragon Hill is beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company.

4. The Subscriber and Dragon Hill (together with its sole beneficial owner, Mr. Lee Shing) are presumed to be acting in concert for the purpose of the Takeovers Code.

5. Mr. Wei Hongwen, an executive Director, is a director of, and a party acting in concert with, the Subscriber.

6. Mr. Zhou Sheji, an executive Director, through Gao Bao Development Limited, is beneficially interested in 44,770,000 Shares.

As depicted by the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 35.14% to 27.15%, representing a dilution of approximately 7.99 percent point, immediately after the full conversion of the Convertible Notes at the initial Conversion Price. Taking into account (i) the reasons for and possible benefits of the Subscription; (ii) that the proposed use of the net proceeds from the Subscription could preserve the bank balances and cash of the Group for its daily operations; (iii) the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned; and (iv) as being discussed under the below section headed "Financial effects of the Subscription" that the Group's capital base would be broadened upon conversion of the Convertible Notes, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

(4) Financial effects of the Subscription

Effect on net asset value

Given that the Convertible Notes when being actually booked into the financial statements of the Group will consist of an equity portion and a liability portion which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess its exact impact on the net asset value of the Group until reliable estimations of the Convertible Notes' values can be made as at the Issue Date.

On the other hand, it is expected that the net asset value of the Group would be enlarged upon conversion of the Convertible Notes by the Noteholder(s) into Conversion Shares as a result of the decrease in liabilities.

Effect on gearing

Since as aforementioned that the relevant accounting entries for the issue of the Convertible Notes have not yet been determined, the impact of the issue of the Convertible Notes on the gearing level of the Group could not be estimated at this early stage.

Effect on liquidity

The net proceeds from the issue of the Convertible Notes are estimated to be approximately HK$198,000,000. Pursuant to the Subscription Agreement, upon completion of the Subscription, the issue price of the Convertible Notes in the total amount of HK$200,000,000 will be satisfied by setting off against the Company's obligation to repay the respective principal amounts of the 2009 Convertible Notes and the Shareholder's Loan. Furthermore, (i) the unpaid and accrued interests on the 2009 Convertible Notes and the Shareholder's Loan amounting to approximately HK$8,174,000 in total (for details, please refer to the Board Letter), and (ii) the estimated costs of approximately HK$2,000,000 relating to the issue of the Convertible Notes will be satisfied by the internal resources of the Group.

Accordingly, the issue of the Convertible Notes would alleviate the liquidity needs of the Group for repayment of the Convertible Notes 2009 and the Shareholder's Loan in the near future.

Effect on earnings

As the Convertible Notes carry an interest of 4.25% per annum and will mature on the third anniversary of the Issue Date, the Directors expected that the future earnings of the Group would be reduced by the interest expense on the Convertible Notes before they are converted by the Noteholder(s) or the Maturity Date. Nonetheless, at the same time, the issue of the Convertible Notes could also allow the Group to save its future interest expense on the Shareholder's Loan at a rate of 4.5% per annum which will be due on 30 August 2014.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription.

RECOMMENDATION ON THE SUBSCRIPTION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

(B) The Whitewash Waiver

Upon full conversion of the Convertible Notes, assuming that there are no other changes in the issued share capital of the Company, the allotment and issue of the Conversion Shares to the Subscriber will increase its holding of voting rights in the Company by more than 2% from the lowest percentage holding of it in the previous 12 months and thereby exceeding the 2% creeper threshold specified in Rule 26.1(c) of the Takeovers Code, the Subscriber and any parties acting in concert with it will therefore, in the absence of the Whitewash Waiver, be obligated to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it.

The Subscriber has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Given that the granting of the Whitewash Waiver by the Executive is one of the Conditions Precedent, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Subscription will not proceed.

Based on (i) the reasons for the Subscription and the proposed use of the net proceeds therefrom; (ii) the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the level of dilution to the shareholding interests of the existing public Shareholders is acceptable due to the reasons as elaborated under the section headed "Dilution effect on the shareholding interests of the existing public Shareholders" of this letter, we are of the opinion that the approval for the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Subscription.

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration the reasons for and possible benefits of the Subscription, and that the Subscription is conditional upon the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Graham Lam
Managing Director — Corporate Finance

1. FINANCIAL SUMMARY

Set out below is a summary of the consolidated financial results and assets and liabilities of the Company for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, extracted from the 2010, 2011 and 2012 annual reports of the Company and the 2013 interim report of the Company respectively.

Save for (i) a gain on fair value adjustment of approximately RMB29,492,000 relating to the 2009 Convertible Notes credited to the consolidated comprehensive income statement of the Company for the year ended 31 December 2010; (ii) a share option expenses amounting to a total of approximately RMB25,689,000 relating to the issue of share options to the directors and employees of the Group charged to the consolidated comprehensive income statement of the Company for the year ended 31 December 2010; (iii) a gain on fair value adjustment of approximately RMB35,526,000 relating to the 2009 Convertible Notes credited to the consolidated comprehensive income statement of the Company for the year ended 31 December 2011; (iv) a gain on fair value adjustment of approximately RMB11,309,000 relating to the 2009 Convertible Notes credited to the consolidated comprehensive income statement of the Company for the year ended 31 December 2012; and (v) a share option expenses amounting to a total of approximately RMB16,819,000 relating to the issue of share options to the directors and employees of the Group charged to the consolidated comprehensive income statement of the Company for the year ended 2012, which were exceptional in size, the Company has no item which are exceptional or extraordinary because of size, nature or incidence for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013.

There was no qualification made by the auditors of the Company in respect of the Company's audited consolidated financial statements for each of the years ended 31 December 2010, 2011 and 2012.

Financial Summary

Results	**For the year ended 31 December 2010**	**2011**	**2012**	**For the six months ended 30 June 2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Revenue	11,063,390	10,908,602	11,856,125	6,489,908
Cost of sales	(9,983,234)	(9,936,887)	(10,621,268)	(5,841,903)
Gross profit	1,080,156	971,715	1,234,857	648,005
Profit before tax	237,663	167,921	143,683	94,076
Income tax expense	(55,120)	(31,466)	(45,106)	(19,121)
Profit for the year, attributable to:	182,543	136,455	98,577	74,955
Owners of the Company	77,648	69,813	40,214	42,905
Non-controlling interests	104,895	66,642	58,363	32,050
Earnings per share:				
Basic	7.84 cents	6.17 cents	3.44 cents	3.66 cents
Diluted	5.23 cents	3.16 cents	2.84 cents	3.14 cents
Dividend *(Note)*	—	9,733	4,771	4,709
Dividend per Share *(Note)*	—	1 HK cent	0.50 HK cent	0.50 HK cent

Note: The dividend recognized as distribution during the year ended 31 December 2011 represents the payment of 2011 interim dividend of 1 HK cent per Share. The dividend recognized as distribution during the year ended 31 December 2012 represents the payment of 2011 final dividend of 0.5 HK cent per Share. The dividend recognized as distribution during the six months ended 30 June 2013 represents the payment of 2012 final dividend of 0.5 HK cent per Share.

	As at			
	31 December			30 June
Assets and liabilities	**2010**	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	1,187,232	1,430,462	1,770,995	1,894,154
Current assets	8,885,973	8,266,917	8,933,005	8,619,075
Total assets	10,073,205	9,697,379	10,704,000	10,513,229
Current liabilities	8,757,895	8,049,605	8,806,146	8,586,790
Non-current liabilities	414,774	442,725	632,612	592,266
Total liabilities	9,172,669	8,492,330	9,438,758	9,179,056
Net assets	900,536	1,205,049	1,265,242	1,334,173

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 *RMB'000*	2011 *RMB'000*
Revenue	*6*	11,856,125	10,908,602
Cost of sales		(10,621,268)	(9,936,887)
Gross profit		1,234,857	971,715
Other income	*6*	63,765	83,527
Other gains and losses	*6*	10,405	38,016
Selling and distribution costs		(353,229)	(245,548)
General and administrative expenses		(722,309)	(605,435)
Finance costs	*7*	(89,806)	(74,354)
Profit before taxation		143,683	167,921
Income tax expense	*8*	(45,106)	(31,466)
Profit for the year	*9*	98,577	136,455
Other comprehensive income			
Exchange differences arising from translation of foreign operation		(307)	39
Exchange reserve released upon disposal of subsidiaries		(247)	(33)
Total comprehensive income for the year		98,023	136,461
Profit/(loss) for the year attributable to:			
Owners of the Company		40,214	69,813
Non-controlling interests		58,363	66,642
		98,577	136,455
Total comprehensive income attributable to:			
Owners of the Company		39,660	69,819
Non-controlling interests		58,363	66,642
		98,023	136,461
Earnings/(loss) per share	*13*		
Basic		3.44 cents	6.17 cents
Diluted		2.84 cents	3.16 cents

Consolidated Statement of Financial Position
At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	14	1,294,854	1,078,994
Prepaid lease payments	15	189,918	171,907
Premium on prepaid lease payments	16	947	972
Investment properties	17	7,024	26,217
Intangible assets	18	628	628
Goodwill	19	5,252	—
Available-for-sale investments	20	—	360
Deposits for acquisition of land use rights	21	25,200	10,800
Deposits for acquisition of property, plant and equipment	22	247,712	140,584
		1,770,995	1,430,462
Current assets			
Inventories	23	710,516	551,976
Trade and other receivables	24	6,949,514	6,361,318
Prepaid lease payments	15	4,126	3,601
Tax recoverable		5,756	2,033
Held-for-trading investments	25	—	5
Pledged bank deposits	26	779,932	498,138
Bank balances and cash	26	483,161	849,846
		8,933,005	8,266,917
Current liabilities			
Trade and other payables	27	7,517,993	5,914,080
Amounts due to shareholders	28	170,962	577,979
Provision for warranty	29	146,501	124,717
Tax payable		9,828	1,297
Derivative financial instrument	30	7,534	18,843
Bank borrowings — due within one year	31	953,328	1,407,498
Obligations under finance leases — due within one year	32	—	74
Bank overdrafts	26	—	5,117
		8,806,146	8,049,605
Net current assets		126,859	217,312
Total assets less current liabilities		1,897,854	1,647,774

	Notes	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Amount due to shareholders	*28*	526,323	326,764
Convertible loan notes	*30*	81,869	78,524
Bank borrowings — due after one year	*31*	1,054	23,158
Deferred tax liabilities	*33*	23,366	14,279
		632,612	442,725
Net assets		1,265,242	1,205,049
Capital and reserves			
Share capital	*34*	4,524	4,524
Reserves		533,673	481,965
Equity attributable to owners of the Company		538,197	486,489
Non-controlling interests		727,045	718,560
Total equity		1,265,242	1,205,049

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company										
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Exchange reserve** *RMB'000*	**Contributed surplus** *RMB'000* *(Note 1)*	**Share option reserve** *RMB'000*	**PRC general reserve** *RMB'000* *(Note 2)*	**Capital reserve** *RMB'000* *(Note 3)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2011	3,961	343,142	5,781	97,435	25,981	73,607	18,505	(266,838)	301,574	598,962	900,536
Profit for the year	—	—	—	—	—	—	—	69,813	69,813	66,642	136,455
Exchange difference arising from translation of foreign operation	—	—	39	—	—	—	—	—	39	—	39
Released upon disposal of subsidiaries	—	—	(33)	—	—	—	—	—	(33)	—	(33)
Total comprehensive income for the year	—	—	6	—	—	—	—	69,813	69,819	66,642	136,461
Issue of new shares *(Note 34)*	563	126,081	—	—	—	—	—	—	126,644	—	126,644
Share issue expenses	—	(2,693)	—	—	—	—	—	—	(2,693)	—	(2,693)
Share premium reduction *(note (iv))*	—	(466,530)	—	466,530	—	—	—	—	—	—	—
Set-off contributed surplus against accumulated losses *(note (iv))*	—	—	—	(528,202)	—	—	—	528,202	—	—	—
Recognition of equity settled share-based payments	—	—	—	—	878	—	—	—	878	—	878
Forfeiture of share options	—	—	—	—	(3,113)	—	—	3,113	—	—	—
Capital injection	—	—	—	—	—	—	—	—	—	101,960	101,960
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(49,004)	(49,004)
Dividend recognized as distribution *(note 12)*	—	—	—	—	—	—	—	(9,733)	(9,733)	—	(9,733)
Transfers	—	—	—	—	—	48,226	—	(48,226)	—	—	—
Subtotal	563	(343,142)	—	(61,672)	(2,235)	48,226	—	473,356	115,096	52,956	168,052
At 31 December 2011	4,524	—	5,787	35,763	23,746	121,833	18,505	276,331	486,489	718,560	1,205,049

	Attributable to owners of the Company										
	Share capital	Share premium	Exchange reserve	Contributed surplus	Share option reserve	PRC general reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note 1)*	*RMB'000*	*RMB'000* *(Note 2)*	*RMB'000* *(Note 3)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year	—	—	—	—	—	—	—	40,214	40,214	58,363	98,577
Exchange difference arising from translation of foreign operation	—	—	(307)	—	—	—	—	—	(307)	—	(307)
Exchange reserve released upon disposal of subsidiaries	—	—	(247)	—	—	—	—	—	(247)	—	(247)
Total comprehensive income for the year	—	—	(554)	—	—	—	—	40,214	39,660	58,363	98,023
Recognition of equity settled share-based payments	—	—	—	—	16,819	—	—	—	16,819	—	16,819
Forfeiture/lapse of share options	—	—	—	—	(12,234)	—	—	12,234	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	7,066	7,066
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(56,944)	(56,944)
Dividend recognized as distribution *(note 12)*	—	—	—	—	—	—	—	(4,771)	(4,771)	—	(4,771)
Transfers	—	—	—	—	—	55,418	—	(55,418)	—	—	—
Subtotal	—	—	—	—	4,585	55,418	—	(47,955)	12,048	(49,878)	(37,830)
At 31 December 2012	4,524	—	5,233	35,763	28,331	177,251	18,505	268,590	538,197	727,045	1,265,242

Notes:

(i) The Group's contributed surplus represents (a) 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 (b) the transfer of the credit arising from a capital reduction on 19 June 2006; and (c) the transfer of the share premium and the absorption of accumulated losses on 27 May 2011.

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

(iii) The capital reserve represents the deemed capital contribution arising on acquisition of a subsidiary, Wuling Industrial, from Liuzhou, which is a substantial shareholder of the Company by virtue of its 100% equity interest in Wuling (Hong Kong) Holdings Limited (''Wuling Hong Kong Holdings''). Wuling Hong Kong Holdings holds 37.05% equity interest in, and has significant influence over, the Company.

(iv) Pursuant to a special resolution passed at the annual general meeting of the Company on 27 May 2011, (a) the entire amount outstanding to the credit of the share premium account of the Company was reduced to nil (the ''Share Premium Reduction''); (b) the credit arising from the Share Premium Reduction was transferred to the contributed surplus account of the Company; and (c) a sum of approximately HKD627,504,000 (equivalent to approximately RMB528,202,000) in the contributed surplus account of the Company was applied to set off against the accumulated losses of the Company.

Consolidated Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Operating activities			
Profit before tax		143,683	167,921
Adjustments for:			
Depreciation of property, plant and equipment		121,526	94,507
Finance costs		89,806	74,354
(Reversal of) allowance for inventories		(5,196)	5,872
Recognition of equity-settled share-based payments		16,819	878
(Gain) loss on disposal of subsidiaries		(1,710)	27
Impairment losses recognized on trade receivables		6,483	2,694
Release of prepaid lease payments		4,069	2,861
Loss on disposal of available-for-sale investments		232	—
Release of premium on prepaid lease payments		25	25
(Gain) loss on change in fair value of held-for-trading investments		(1)	2
Bank interest income		(28,034)	(29,105)
Change in fair value of derivative financial instrument		(11,309)	(35,526)
Change in fair value of investment properties		(1,534)	—
Impairment loss reversed in respect of trade receivables		(1,254)	(1,223)
Exchange difference		—	(5,160)
Gain on disposal of property, plant and equipment		(24)	(276)
Operating cash flows before movements in working capital		333,581	277,851
Increase (decrease) in trade and other payables		1,506,358	(305,056)
Decrease in trade and other receivables		(370,704)	(1,364,140)
Increase (decrease) in provision for warranty		21,784	(948)
Net (increase) decrease in bills receivables discounted with recourse		(192,400)	1,185,466
(Increase) decrease in inventories		(118,970)	337,988
Increase in loans receivable		—	(387)
Decrease in client trust bank accounts		—	3,075
Cash generated from operations		1,179,649	133,849
Income tax paid		(32,876)	(67,453)
Withholding tax paid		(5,808)	(4,094)
Net cash from operating activities		1,140,965	62,302

	Notes	2012 RMB'000	2011 RMB'000
Investing activities			
Placement of pledged bank deposits		(1,624,756)	(498,138)
Deposits paid for acquisition of property, plant and equipment		(239,397)	(140,584)
Purchase of property, plant and equipment		(184,893)	(133,208)
Deposit paid for acquisition of land use rights		(14,400)	—
Purchase of investment properties		(5,570)	—
Acquisition of a subsidiary	*44*	(18,072)	—
Withdrawal of pledged bank deposits		1,351,795	952,411
Proceeds from government grants		27,327	12,000
Bank interest income received		28,034	29,105
Disposal of subsidiaries	*45*	4,875	491
Proceeds from disposal of property, plant and equipment		3,427	3,514
Proceeds from disposal of available-for-sale investments		128	—
Proceeds from disposal of held-for-trading investments		6	—
Additional prepaid lease payments		—	(105,576)
Net cash used in investing activities		(671,496)	120,015
Financing activities			
Repayment of bank borrowings		(1,183,508)	(316,228)
Repayment to shareholders		(207,899)	(62,509)
Interest paid		(60,083)	(33,111)
Dividend paid to non-controlling interests of subsidiaries		(56,944)	(49,004)
Dividend paid		(4,771)	(9,733)
Repayment of obligations under finance leases		(74)	(79)
Net increase (decrease) in advance drawn from bills receivables discounted with recourse		164,169	(1,223,286)
Bank borrowings raised		518,144	1,274,116
Expenses of issue of shares upon open offer		—	(2,693)
Proceeds from issue of shares upon open offer		—	126,644
Capital injection by non-controlling interests of subsidiaries		—	101,960
Advance from shareholders		—	10,706
Net cash from financing activities		(830,966)	(183,217)
Net decrease in cash and cash equivalents		(361,497)	(900)
Cash and cash equivalents at 1 January		844,729	845,433
Effect of foreign exchange rate changes, net		(71)	196
Cash and cash equivalents at 31 December		483,161	844,729
Cash and cash equivalents at 31 December, representing			
bank balances and cash		483,161	849,846
bank overdrafts (included in bank borrowings)		—	(5,117)
		483,161	844,729

Notes to the consolidated financial statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section 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 related parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply. The details of its principal subsidiaries are disclosed in note 47.

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

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

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

Amendments to HKAS 12	Deferred Tax: Recovery of underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in 2012.

Except as described below, the application of the amendments to 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/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognizing any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognized deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, the application of the amendments has had no significant impact on the financial statements of the Group as at 1 January 2011, 31 December 2011 and 31 December 2012.

Amendments to HKFRS 7 *Disclosures — Transfers of Financial Assets*

The Group has applied for the first time the amendments to HKFRS 7 *Disclosures — Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bill receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bill receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bill receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see note 31). The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7 (see note 24a). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

Amendments to HKAS 1 *Presentation of Financial Statements*
(as part of the annual improvements to HKFRSs 2009–2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Company has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Company has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time. However, no material effect on the information in the statement of financial position as at 1 January 2011 is resulted. Thus a third statement of financial position as at 1 January 2011 is not presented, in accordance with the clarification in the amendments to HKAS 1.

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 HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 financial instruments

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

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that based on the financial instruments of the Group as of 31 December 2012, the adoption of HKFRS 9 in the future do not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation and disclosures

In June 2011, a package of the standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011).

Key requirements of these standards are described below.

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

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

In July 2012, the amendments to HKFRS 10 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these standards may have significant impact on amounts reported in the consolidated financial standards. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet determined or quantified the impact.

HKFRS 13 fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect derivatives financial instruments reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other Comprehensive income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that deferred tax assets or liabilities are recognized and measured in accordance with HKAS 12 *Income Taxes*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

Revenue recognition

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

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

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

Service income is recognized when services are provided.

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

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

Property, plant and equipment

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

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

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

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

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

Investment properties

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

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

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

Leasing

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

The group as lessor

Rental income from operating leases is recognized in profit or loss on a straight line basis over the term of the relevant lease.

The group as lessee

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

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

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

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

Leasehold land and building

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

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

Foreign currencies

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

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

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

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

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefits costs

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

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

Intangible assets acquired separately

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

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

Research and development expenditures

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

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 43.

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Financial liabilities including trade and other payables, amounts due to shareholders and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

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

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

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

Derivative financial instruments

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

Embedded derivatives

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

Financial guarantee contracts

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

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

Derecognition

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

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

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

Provisions

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

Share options granted to other parties

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognized any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

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

As at 31 December 2012, the carrying amount of property, plant and equipment was approximately RMB1,294,854,000 (2011: RMB1,078,994,000).

Estimated impairment of trade receivables

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

As at 31 December 2012, the carrying amount of trade and bills receivable was approximately RMB5,861,754,000 (net of allowance for doubtful debts of approximately RMB11,631,000) (2011: carrying amount of approximately RMB5,623,553,000 (net of allowance for doubtful debts of approximately RMB6,818,000).

Provision for warranty

The Group makes warranty provision based on information available prior to the issuance of the consolidated financial statements indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in note 29, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by management. If the costs are settled for an amount greater than management's estimation, a future charge to the profit or loss will result. likewise, if the costs are settled for an amount that is less that the estimation, a future credit to the consolidated statement of comprehensive income will result.

As at 31 December 2012, the carrying amount of provision for warranty was approximately RMB146,501,000 (2011: RMB124,717,000).

5. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

- Manufacture and sale of engines and related parts
- Manufacture and sale of automotive components and accessories
- Manufacture and sale of specialized vehicles
- Trading of raw materials (including metals and other consumables), 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 related 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 2012							
Revenue							
External sales	3,429,764	5,670,782	1,696,641	1,058,732	206	—	11,856,125
Inter-segment sales	558,599	440,845	105,422	298,548	—	(1,403,414)	—
Total	3,988,363	6,111,627	1,802,063	1,357,280	206	(1,403,414)	11,856,125
Segment profit (loss)	112,692	71,953	50,814	24,180	(10,259)		249,380
Bank interest income							28,034
Change in fair value of derivative financial instrument							11,309
Share option expenses							(16,819)
Central administration costs							(40,125)
Gain on disposal of subsidiaries							1,710
Finance costs							(89,806)
Profit before taxation							143,683

	Engines and related 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 taxation							167,921

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss 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, gain (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 related 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 2012						
Assets						
Segment assets	2,826,048	4,844,189	1,030,490	725,452	8,972	9,435,151
Pledged bank deposits						779,932
Bank balances and cash						483,161
Tax recoverable						5,756
Consolidated assets						10,704,000
Liabilities						
Segment liabilities	2,712,189	3,997,141	1,009,264	364,057	4,704	8,087,355
Amounts due to shareholders						697,285
Derivative financial instrument						7,534
Convertible loan notes						81,869
Bank borrowings						531,521
Others						33,194
Consolidated liabilities						9,438,758

	Engines and related 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

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, bank overdrafts, tax payables and deferred tax liabilities (included in others) are not allocated to the segments.

Other segment information

	Engines and related 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 2012						
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets	60,262	110,647	146,107	24,221	6,078	347,315
Depreciation of property, plant and equipment	44,434	55,751	5,628	15,586	127	121,526
Release of prepaid lease payments	1,596	299	—	2,174	—	4,069
Release of premium on prepaid lease payments	—	25	—	—	—	25
(Gain) loss on disposal of property, plant and equipment	(77)	53	—	—	—	(24)
(Reversal of) allowance for inventories	(6,382)	1,186	—	—	—	(5,196)
Impairment loss reversed in respect of trade receivables	(1,031)	—	(223)	—	—	(1,254)
Impairment loss recognized on trade receivables	6,169	242	72	—	—	6,483
Research and development expenses	31,618	48,597	35,526	—	—	115,741
Change in fair value of investment properties	—	—	—	—	1,534	1,534
Loss on disposal of available-for-sale investments	116	116	—	—	—	232

	Engines and related parts	Automotive components and accessories	Specialized vehicles	Trading of raw materials, and provision of water and power supply	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2011						
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets	152,089	71,840	6,118	200,772	169	430,988
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
Research and development expenses	36,499	8,159	8,931	—	—	53,589

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.

	2012	2011
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	11,855,919	10,907,375
Hong Kong	206	1,227
Consolidated	11,856,125	10,908,602

(b) Non-current assets

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

	2012	2011
	RMB'000	*RMB'000*
Hong Kong	7,024	27,747
Philippines	628	628
The PRC (excluding Hong Kong)	1,763,343	1,401,727
	1,770,995	1,430,102

Information about a major customer

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

	2012	2011
	RMB'000	*RMB'000*
Engines and related parts	2,308,199	3,031,494
Automotive components and accessories	5,447,926	4,792,960
Specialized vehicles	93,049	99,213
Trading of raw materials	71,204	47,174
Provision of water and power supply	231,220	206,669
	8,151,598	8,177,510

6. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

	2012	2011
	RMB'000	*RMB'000*
Sales of:		
— Engines	3,344,467	3,381,918
— Engine related parts	85,297	113,144
— Automotive components and accessories	5,670,782	5,049,561
— Specialized vehicles	1,696,641	1,474,644
Trading of raw materials	823,616	674,317
Provision of water and power supply	235,116	213,791
	11,855,919	10,907,375
Commission and interest income from securities dealing and margin finance	—	549
Gross property rental income	206	678
	11,856,125	10,908,602
Other income *(note (i))*	63,765	83,527
Other gains and losses *(note (ii))*	10,405	38,016

Notes:

(i) Details of other income are as follows:

	2012	2011
	RMB'000	*RMB'000*
Sales of scrap materials and parts	30,013	49,915
Bank interest income	28,034	29,105
Service income on repairs and maintenance	1,396	3,158
Machinery rental income	525	519
Others	3,797	830
	63,765	83,527

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

	2012	2011
	RMB'000	*RMB'000*
Change in fair value of derivative financial instruments	11,309	35,526
Gain (loss) on disposal of subsidiaries	1,710	(27)
Gain on revaluation of investments properties	1,534	—
Foreign exchange (losses) gains, net	1,288	3,714
Impairment loss reversed in respect of trade receivables	1,254	1,223
Gain (loss) on disposal of property, plant and equipment	24	276
Impairment loss recognized on trade receivables	(6,483)	(2,694)
Loss on disposal of available-for-sale investments	(232)	—
Gain (loss) on change in fair value of held-for-trading investments	1	(2)
	10,405	38,016

7. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interests on:		
— amount due to a shareholder *(note 28)*	4,517	3,737
— borrowings and overdrafts wholly repayable within five years	50,448	23,878
— borrowings not wholly repayable within five years	212	489
— advances drawn on bills receivables	25,956	37,820
— obligations under finance leases	18	18
— convertible loan notes *(note 30)*	8,655	8,412
	89,806	74,354

8. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax		
Current	35,961	21,893
Withholding tax paid	5,808	4,094
Underprovision in prior years	1,723	725
	43,492	26,712
Deferred tax *(note 33)*		
Current year	1,614	4,754
	45,106	31,466

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 the 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 in 2011, 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 confirmation notice from the relevant authority on the 15% EIT rate, which for the year 2011 had been obtained by the enterprises. The Catalogue will be issued separately. In addition, with reference to the Notice 2011 No. 2 issued by Guangxi local Tax Bureau and the local practices adopted, 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 when making their quarterly EIT prepayments in 2012. The Catalogue setting out the qualifying industries has not been issued yet up to the end of the reporting periods.

For Wuling Industrial, pursuant to the tax notice, liuzhou liunan [2010] No. 001, it was entitled to a preferential income tax rate of 15% until December 2010. In 2011, the tax rate of Wuling Industrial was 25%. Pursuant to a tax notice, liuzhou liunan [2012] No. 002 issued on 28 December 2012, Wuling Industrial is entitled to a preferential income tax rate of 15%, effective from 1 January 2012 to 31 December 2014.

In the opinion of the directors of the Company, all the Group's major PRC operating subsidiaries, are located in the specified provinces of Western China and are engaged in industries which qualify them for the preferential tax treatment.

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 RMB7,638,000 (2011: RMB8,881,000) 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.

Hong Kong

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

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the year ended 31 December 2012.

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2011 since the assessable profits was wholly absorbed by tax losses brought forward.

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

	2012 *RMB'000*	**2011** *RMB'000*
Profit before taxation	143,683	167,921
Tax at the domestic income tax rate of 15% *(note)*	21,552	25,188
Tax effect of expenses not deductible for tax purposes	11,247	3,262
Tax effect of income not taxable for tax purposes	(2,943)	(7,439)
Tax effect of deductible temporary difference not recognized	188	430
Utilization of deductible temporary differences previously not recognized	(1,429)	—
Tax effect of tax losses not recognized	7,127	1,139
Tax effect of utilization of tax losses previously not recognized	—	(723)
Tax effect of undistributed profits of PRC subsidiaries	7,638	8,881
Effect of different tax rates of subsidiaries operating in other jurisdictions	3	3
Underprovision in prior years	1,723	725
Income tax expense for the year	45,106	31,466

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

Details of movement in deferred tax are set out in note 33.

9. PROFIT FOR THE YEAR

	2012 *RMB'000*	2011 *RMB'000*
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments *(note 10)*	8,789	6,594
Other staff costs:		
Salaries, bonus and other benefits	607,097	591,360
Retirement benefit scheme contributions, excluding directors	56,246	55,348
Equity settled share-based payments excluding directors	13,684	712
Total staff costs	685,816	654,014
Gross property rental income	(206)	(678)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	1	2
Net rental income	(205)	(676)
Auditor's remuneration	1,630	1,663
Cost of inventories recognized as an expense *(note)*	10,621,268	9,768,855
Depreciation of property, plant and equipment	121,526	94,507
Release of prepaid lease payments (included in general and administrative expenses)	4,069	2,861
Release of premium on prepaid lease payments (included in general and administrative expenses)	25	25
Research and development expenses (included in general and administrative expenses)	115,741	53,589
Transportation costs (included in selling and distribution costs)	217,607	133,266

Note: Included in arriving at cost of inventories is a credit amount of approximately RMB5,196,000 recognized as reversal of allowance for inventories (2011: an amount for allowance for inventories of RMB5,872,000).

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

		Other Emoluments			
	Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Share-based payments	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012					
Sun Shaoli	176	1,362	91	523	2,152
Lee Shing *(note)*	1,154	298	11	523	1,990
Wei Hongwen	176	466	78	348	1,068
Zhong Xianhua	176	291	97	348	912
Zhou Sheji	176	500	11	348	1,031
Liu Yaling	176	15	—	523	714
Yu Xiumin	117	—	—	174	291
Zuo Duofu	117	—	—	174	291
Ye Xiang	166	—	—	174	340
	2,434	2,932	288	3,135	8,789
2011					
Sun Shaoli	160	1,349	163	23	1,695
Lee Shing *(note)*	1,132	350	10	23	1,515
Wei Hongwen	160	782	97	21	1,060
Zhong Xianhua	160	585	97	18	860
Zhou Sheji	160	636	10	18	824
Liu Yaling	160	16	—	21	197
Yu Xiumin	115	2	—	14	131
Zuo Duofu	115	2	—	14	131
Ye Xiang	165	2	—	14	181
	2,327	3,724	377	166	6,594

Note: Mr. lee Shing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors and the chief executive of the Company whose emolument is included in the disclosure in note 10 above. The emolument of the remaining one (2011: one) individual is as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries and other benefits	953	848
Bonus	110	212
Share-based payments	321	18
Contributions to retirement benefits schemes	11	10
Total emolument	1,395	1,088

No emoluments were paid by the Group to the directors of the Company or the above individual as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2012 and 2011.

12. DIVIDEND

	2012	2011
	RMB'000	*RMB'000*
Dividends recognized as distribution during the year:		
2011 Final — HK0.5 cent (2011: 2010 final dividend — Nil) per share	4,771	—
2012 Interim — Nil (2011: 2011 interim dividend HK1 cent) per share	—	9,733
	4,771	9,733

Subsequent to the end of the reporting period, a final dividend of HK0.5 cent per share amounting to approximately HK$5,900,000 (or equivalent to RMB4,700,000) in respect of the year ended 31 December 2012 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit of the year attributable to owner of the Company)	40,214	69,813
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	8,233	5,822
Change in fair value of derivative financial instruments	(11,309)	(35,526)
Earnings for the purpose of diluted earnings per share	37,138	40,109
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,170,605	1,132,298
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	1,307,591	1,269,284

The computation of diluted earnings per share for both years does not assume the exercise of the outstanding share options as the exercise price was higher than the average market price of the Company's shares during the relevant periods.

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share in 2011 have been adjusted for the bonus element of the Open Offer (as defined in note 34) on 28 March 2011.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Computers	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
AT COST								
At 1 January 2011	143,131	620	665,612	15,525	10,885	16,282	213,329	1,065,384
Exchange adjustments	(47)	(19)	—	(13)	(26)	(38)	—	(143)
Additions	10,392	57	106,530	1,967	3,399	1,829	161,238	285,412
Disposals	—	—	(19,143)	(832)	(853)	(1,095)	—	(21,923)
Eliminated on disposal of subsidiaries *(note 45)*	—	(154)	—	(314)	(868)	—	—	(1,336)
Transfer	84,575	—	190,936	—	—	258	(275,769)	—
At 31 December 2011	238,051	504	943,935	16,333	12,537	17,236	98,798	1,327,394
Exchange adjustments	(8)	(3)	—	(1)	(1)	(6)	—	(19)
Additions	7,878	396	10,444	13,398	4,260	8,960	268,552	313,888
Acquired on acquisition of a subsidiary *(note 44)*	25,323	—	2,389	58	48	417	—	28,235
Disposals	—	(90)	(26,183)	(1,585)	(2,592)	(1,939)	—	(32,389)
Eliminated on disposal of subsidiaries *(note 45)*	(1,377)	(441)	—	(44)	—	—	—	(1,862)
Transfer	7,896	—	91,306	7,048	—	36	(106,286)	—
At 31 December 2012	277,763	366	1,021,891	35,207	14,252	24,704	261,064	1,635,247
ACCUMULATED DEPRECIATION								
At 1 January 2011	9,833	369	147,491	7,476	3,528	5,150	—	173,847
Exchange adjustments	(5)	(12)	—	(12)	(25)	(36)	—	(90)
Provided for the year	7,981	56	78,610	3,018	1,901	2,941	—	94,507
Eliminated on disposals	—	—	(16,017)	(785)	(853)	(1,030)	—	(18,685)
Eliminated on disposal of subsidiaries *(note 45)*	—	(33)	—	(308)	(838)	—	—	(1,179)
At 31 December 2011	17,809	380	210,084	9,389	3,713	7,025	—	248,400
Exchange adjustments	(1)	(2)	—	(1)	(1)	(6)	—	(11)
Provided for the year	15,183	47	93,740	5,320	3,532	3,704	—	121,526
Eliminated on disposals	—	(31)	(23,886)	(1,360)	(2,461)	(1,248)	—	(28,986)
Eliminated on disposal of subsidiaries *(note 45)*	(149)	(369)	—	(18)	—	—	—	(536)
At 31 December 2012	32,842	25	279,938	13,330	4,783	9,475	—	340,393
Carrying Value								
At 31 December 2012	244,921	341	741,953	21,877	9,469	15,229	261,064	1,294,854
At 31 December 2011	220,242	124	733,851	6,944	8,824	10,211	98,798	1,078,994

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

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

Included in leasehold buildings at 31 December 2011 was certain owner-occupied property of approximately RMB1,247,000 in Hong Kong, which in the opinion of the directors of the Company, allocation between the land and building elements could not be made reliably.

During the year ended 31 December 2012, the Group received government subsidy of RMB27,327,000 (2011: RMB12,000,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

The leasehold buildings are situated on:

	2012	**2011**
	RMB'000	*RMB'000*
Leasehold land in Hong Kong:		
Long leases	—	1,247
Land in the PRC:		
Medium term leases	244,921	218,995
	244,921	220,242

15. PREPAID LEASE PAYMENTS

	2012	**2011**
	RMB'000	*RMB'000*
Balance at the beginning of the year	175,508	32,793
Additions	—	145,576
Acquired on acquisition of a subsidiary *(note 44)*	22,605	—
Released to profit or loss	(4,069)	(2,861)
Balance at the end of the year	194,044	175,508
Current portion	(4,126)	(3,601)
Non-current portion	189,918	171,907

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

16. PREMIUM ON PREPAID LEASE PAYMENTS

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

17. INVESTMENT PROPERTIES

	2012	2011
	RMB'000	*RMB'000*
FAIR VALUE		
At 1 January	26,217	27,103
Exchange realignment	114	(886)
Addition	5,570	—
Eliminated on disposal of subsidiaries *(note 45)*	(26,411)	—
Net increase in fair value recognized in profit or loss	1,534	—
At 31 December	7,024	26,217

Notes:

(i) The carrying amounts of investment properties shown above comprise:

	2012	2011
	RMB'000	*RMB'000*
Land in Hong Kong:		
Long lease	—	26,217
Medium-term lease	7,024	—
	7,024	26,217

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

(iii) The fair value of the Group's investment properties at 31 December 2012 and 2011 was arrived at on the basis of a valuation carried out on that day by Vigers Appraisal & Consulting limited ("Vigers"), independent qualified professional valuers not connected to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

18. INTANGIBLE ASSETS

	Stock exchange trading rights *RMB'000*
COST	
At 1 January 2011	9,212
Eliminated on disposal of a subsidiary *(note 45ii)*	(4,732)
At 31 December 2011 and 2012	4,480
IMPAIRMENT	
At 1 January 2011	8,284
Eliminated on disposal of a subsidiary *(note 45ii)*	(4,432)
At 31 December 2011 and 2012	3,852
CARRYING VALUE	
At 31 December 2011 and 2012	628

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

19. GOODWILL

	RMB'000
COST	
At 1 January 2012	—
Arising on acquisition of a subsidiary *(note 44)*	5,252
At 31 December 2012	5,252
IMPAIRMENT	
At 1 January 2012 and at 31 December 2012	—
CARRYING VALUE	
At 31 December 2012	5,252
At 31 December 2011	—

The entire goodwill is attributable to the acquisition of 75% equity interest in Jilin Chuofeng liuji Motors Company limited ("Jilin Chuofeng") as disclosed in note 44, as a cash generating unit ("CGu").

During the year ended 31 December 2012, management of the Group determines that there is no impairment of goodwill of the Group to this CGu as the management considers that the recoverable amount of CGu is higher than its carrying value.

The basis of the recoverable amounts of the above CGu and their major underlying assumptions are summarized below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGu to exceed the aggregate recoverable amount of the CGu.

20. AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2011, these investments represented unlisted equity securities issued by private entities established in the PRC which were measured at cost less impairment because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values could not be measured reliably.

During the year ended 31 December 2012, the above investment disposed at a consideration of approximately RMB128,000 and a loss on disposal of approximately RMB232,000 was recognized in profit or loss for the year.

21. DEPOSITS FOR ACQUISITION OF LAND USE RIGHTS

The amount represents the deposit paid to an independent third party for acquisition of land use rights located in the PRC for construction of a new production plant. The related capital commitments are disclosed in note 36. As disclosed in note 48, the acquisition of land use rights was completed and respective land use rights certificates were obtained in February 2013.

22. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The related capital commitments are disclosed in note 36.

As disclosed in note 48, the acquisition of certain property, plant and equipment of RMB91,910,000 was completed and respective ownership certificates were obtained in February 2013.

23. INVENTORIES

	2012	**2011**
	RMB'000	*RMB'000*
Raw materials	301,847	348,812
Work in progress	179,811	67,368
Finished goods	228,858	135,796
	710,516	551,976

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

(i) Trade and other receivables

	2012	2011
	RMB'000	*RMB'000*
Trade and bills receivables		
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW") *(note a)*	3,959,753	3,565,886
— Liuzhou Wuling Group *(note b)*	25,062	97,352
— third parties	1,888,570	1,967,133
	5,873,385	5,630,371
Less: Allowance for doubtful debts	(11,631)	(6,818)
	5,861,754	5,623,553
Other receivables:		
Prepayments for expenses	106	3,847
Prepayments for purchase of raw materials *(note c)*	492,802	454,768
Value-added tax recoverable	106,192	26,025
Others	63,524	20,389
	662,624	505,029
Bills receivables discounted with recourse *(note 24(ii))*	425,136	232,736
Total trade and other receivables	6,949,514	6,361,318

Notes:

(a) liuzhou Wuling has significant influence over SGMW.

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

(c) Included in the balance were amounts of approximately RMB319,370,000 (2011: RMB204,166,000) paid to SGMW.

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

Included in trade and other receivables are trade and bills receivables of RMB5,861,754,000 (2011: RMB5,623,553,000) and an aged analysis of trade receivables based on the invoice date (net of allowance for doubtful debts) and an aged analysis of bills receivables based on the issue date of the bills are presented as follows:

	At 31 December 2012	At 31 December 2011
	RMB'000	*RMB'000*
0–90 days	4,088,087	5,525,419
91–180 days	1,715,720	26,713
181–365 days	50,616	58,020
Over 365 days	7,331	13,401
	5,861,754	5,623,553

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

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately RMB71,541,000 (2011: RMB71,421,000) which were past due over 180 days at the end of the reporting period but for which the Group has not provided impairment loss because the Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Group does not hold any collateral over these balances.

Ageing of trade receivables which were past due but not impaired

	2012	2011
	RMB'000	*RMB'000*
91–180 days	13,594	—
181–365 days	50,616	58,020
Over 365 days	7,331	13,401
Total	71,541	71,421

Movement in the allowance for doubtful debts

	2012	2011
	RMB'000	*RMB'000*
1 January	6,818	5,551
Impairment losses recognized on trade receivables	6,483	2,694
Amounts written off as uncollectible	(350)	(136)
Amounts recovered during the year	(1,254)	(1,223)
Exchange adjustments	(66)	(68)
31 December	11,631	6,818

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB11,631,000 (2011: RMB6,818,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

(ii) Bills receivables discounted with full recourse

	2012	2011
	RMB'000	*RMB'000*
Bills receivables discounted with full recourse		
— SGMW	—	148,182
— Liuzhou Wuling Group	—	990
— third parties	425,136	83,564
	425,136	232,736

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2011: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 31.

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

	2012	2011
	RMB'000	*RMB'000*
0–90 days	32,100	—
91–180 days	393,036	232,736
	425,136	232,736

24a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2012 and 2011 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see note 31). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivable discounted to banks with full recourse

	2012	2011
	RMB'000	*RMB'000*
Carrying amount of transferred assets	425,136	232,736
Carrying amount of associated liabilities	(422,861)	(232,736)
Net position	2,275	—

25. HELD-FOR-TRADING INVESTMENTS

	2012	2011
	RMB'000	*RMB'000*
Listed equity investments, at market value:		
Hong Kong	—	5

26. PLEDGED BANK DEPOSITS/BANK BALANCES/BANK OVERDRAFTS

Bank balance/pledged bank deposits

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

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

	Fixed/variable	**2012**	**2011**
Pledged deposits	Fixed	0.6%–3.3%	1.31%–3.3%
Bank balances	Variable	0.01%–1.15%	0.0001%–1.31%

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

	2012	**2011**
	RMB'000	*RMB'000*
HKD	17,510	17,007

Bank overdrafts

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

27. TRADE AND OTHER PAYABLES

(i) Trade and other payables

		2012	**2011**
	Notes	*RMB'000*	*RMB'000*
Trade and bills payables:			
— SGMW		179,821	173,187
— Liuzhou Wuling Group		30,004	47,426
— third parties		6,843,362	5,151,804
	(i)	7,053,187	5,372,417
Consideration payable *(note 44(i))*		3,450	—
Other payables and accruals	*(ii)*	461,356	541,663
Total trade and other payables		7,517,993	5,914,080

Notes:

(i) Included in trade and other payables are trade and bills payables of RMB7,053,187,000 (2011: RMB5,372,417,000) and an aged analysis based on the invoice date is presented as follows:

	2012	**2011**
	RMB'000	*RMB'000*
0 to 90 days	4,872,527	4,206,703
91 to 180 days	1,998,820	1,118,541
181 to 365 days	155,726	31,492
Over 365 days	26,114	15,681
	7,053,187	5,372,417

(ii) The amount represents receipt in advance from customers, accrued staff costs and accruals for operating expenses, payables for acquisition of property, plant and equipment and other miscellaneous payables.

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

	2012	**2011**
	RMB'000	*RMB'000*
HKD	3,340	4,924

28. AMOUNTS DUE TO SHAREHOLDERS

		2012	**2011**
	Notes	*RMB'000*	*RMB'000*
Liuzhou Wuling	*(i)*	614,289	822,816
Wuling HK	*(ii)*	82,996	81,927
		697,285	904,743
Carrying amount repayable:			
On demand or within one year		170,962	577,979
More than one year, but not exceeding two years		526,323	326,764
		697,285	904,743
Less: Amount due within one year shown under current liabilities		(170,962)	(577,979)
Amount shown under non-current liabilities		526,323	326,764

Notes:

(i) The entire balance is unsecured and interest-free. Other than an amount of RMB444,837,000 (2011: RMB244,837,000) which is repayable one year after the end of the reporting period, the balance is repayable on demand.

(ii) The amount is unsecured, bearing fixed interest at 5.5% (2011: 4.5%) per annum and repayable one year after the end of the reporting period.

29. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2011	125,665
Additional provision in the year	64,848
Utilization of provision	(65,796)
At 31 December 2011	124,717
Additional provision in the year	83,701
Utilization of provision	(61,917)
At 31 December 2012	146,501

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.

30. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with an aggregate principal sum of HKD100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling HK ("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 on 12 March 2010, 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:

	2012	**2011**
	RMB'000	*RMB'000*
At the beginning of the year	78,524	77,691
Effective interest expense	8,655	8,412
Interest paid	(4,888)	(4,989)
Exchange difference	(422)	(2,590)
At the end of the year	81,869	78,524

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

	2012	**2011**
	RMB'000	*RMB'000*
At the beginning of the year	18,843	54,369
Changes in fair value during the year	(11,309)	(35,526)
At the end of the year	7,534	18,843

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 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 by Ascent Partners Valuation Services limited and Vigers as of 31 December 2012 and 2011, respectively. The inputs into the model as at the respective dates are as follows:

	2012	**2011**
Share price	HKD0.53	HKD0.66
Conversion price	HKD0.73	HKD0.73
Expected dividend yield	1.4151%	0.83%
Volatility	56.8138%	56.40%

31. BANK BORROWINGS

	Notes	**2012** *RMB'000*	**2011** *RMB'000*
Secured		22,941	65,274
Unsecured		508,580	1,132,646
		531,521	1,197,920
Advances drawn on bills receivable discounted with recourse	*(i)*	422,861	232,736
		954,382	1,430,656
Carrying amount repayable:	*(ii)*		
On demand or within one year		944,514	1,368,532
More than one year, but not more than two years		527	1,852
More than two years, but not more than five years		527	4,051
More than five years		—	17,255
		945,568	1,391,690
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	*(iii)*	7,750	38,966
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)		1,064	—
		954,382	1,430,656
Less: Amount due within one year shown under current liabilities		(953,328)	(1,407,498)
Amount shown under non-current liabilities		1,054	23,158

Notes:

(i) The amount represents the Group's other borrowings secured by the bills receivable discounted to banks with recourse (see note 24(ii)).

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

(iii) As at 31 December 2012, the Group was in breach of certain covenants in respect of a bank borrowing of approximately RMB7,750,000 (2011: RMB38,966,000) which has became technically repayable on demand. In February 2013, the Group repaid the amount in full. In the opinion of the director, this event has no significant impact on the group's financial position or future liquidity.

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

	2012	**2011**
	RMB'000	*RMB'000*
Fixed-rate borrowings		
On demand or within one year	930,387	1,243,618
More than one year, but not more than two years	527	882
More than two years, but not more than five years	527	882
	931,441	1,245,382
Variable-rate borrowings		
On demand or within one year	14,127	124,914
More than one year, but not more than two years	—	970
More than two years, but not more than five years	—	3,169
More than five years	—	17,255
	14,127	146,308
Carrying amount of variable-rate bank borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	7,750	38,966
Carrying amount of variable-rate bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment of demand clause (shown under current liabilities)	1,064	—
	22,941	185,274
Total borrowings	954,382	1,430,656

(v) At 31 December 2012, except for bank borrowings of approximately RMB15,191,000 (2011: RMB26,525,000) and RMB1,581,000 (2011: RMB2,646,000) which were denominated in HKD and Euro, respectively, all the Group's bank borrowings were denominated in RMB.

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

	2012	2011
	%	%
Effective interest rate:		
Fixed rate borrowings	4.5 to 7.22	4.5 to 6.89
Variable-rate borrowings	2.22 to 4.60	1.23 to 6.56

(vii) The collaterals for the Group's secured bank borrowings are set out in note 37.

(viii) The Group's secured bank borrowings are also supported by a personal guarantee to the extent of HKD9,662,000 (2011: HKD33,345,000) given by Mr. lee Shing ("Mr. lee"), an executive director and shareholder whose shareholding give him significant influence over the Company.

The Group's unsecured bank borrowings are supported by corporate guarantee to the extent of RMB797,000,000 (2011: RMB1,148,000,000) given by liuzhou Wuling.

32. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term was five years as at 31 December 2011. Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 4.8%.

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	—	92	—	74
In more than one year but not more than two years	—	—	—	—
	—	92	—	74
Less: Future finance charges	—	(18)	N/A	N/A
Present value of lease obligations	—	74	—	74
Less: Amount due for settlement with 12 months			—	(74)
Amount due settlement after 12 months			—	—

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

All financial lease obligations were denominated in HKD.

33. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Withholding tax on undistributed earnings of the PRC subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	22	460	(415)	9,460	9,527
Exchange realignment	(1)	(11)	10	—	(2)
Released upon distribution of dividends	—	—	—	(4,094)	(4,094)
(Credit) charge to profit or loss	(1)	(274)	242	8,881	8,848
Eliminated on disposal of a subsidiary	(10)	—	10	—	—
At 31 December 2011	10	175	(153)	14,247	14,279
Exchange realignment	—	(1)	1	—	—
Released upon distribution of dividends	—	—	—	(5,808)	(5,808)
(Credit) charge to profit or loss	(1)	(207)	(8)	7,638	7,422
Acquisition *(note 44)*	—	7,505	—	—	7,505
Eliminated on disposal of a subsidiary *(note 45)*	—	(174)	142	—	(32)
At 31 December 2012	9	7,298	(18)	16,077	23,366

Notes:

(i) At the end of the reporting period, the Group had unused tax losses of approximately RMB167,237,000 (2011: RMB139,259,000). A deferred tax asset has been recognized in respect of tax losses of approximately RMB122,000 (2011: RMB1,022,000). No deferred tax assets has been recognized in respect of the remaining tax losses of approximately RMB167,115,000 (2011: RMB138,237,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB42,225,000 (2011: Nil) that will expire on 31 December 2016. Other tax losses may be carried forward indefinitely.

(ii) At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences amounting to RMB27,364,000 (2011: RMB35,633,000).

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

34. 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 2011, 31 December 2011 and 31 December 2012		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
As at 1 January 2011	1,003,376,049	4,013
Issue of new shares upon open offer *(note)*	167,229,341	669
As at 31 December 2011 and 2012	1,170,605,390	4,682
		RMB'000
Shown in the consolidated financial statements as — 31 December 2012 and 2011		4,524

Note:

Pursuant to an ordinary resolution passed at a special general meeting of the Company on 8 March 2011, an issue of shares by the Company at a price of HKD0.90 per share on the basis of one share for every six existing shares then held (the "Open Offer") was approved. The Open Offer was completed on 28 March 2011 and a total of 167,229,341 new shares were issued, resulting in gross proceeds of approximately HKD150,506,000 (equivalent to approximately RMB126,644,000) to the Company. The proceeds from the Open Offer provided additional working capital to finance the Group's daily operations.

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

35. SHARE OPTION SCHEME

(a) Old share option scheme

On 11 June 2002, the Company adopted a share option scheme (the "Old Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, which was terminated by the shareholders of the Company in the annual general meeting of the Company held on 28 May 2012 upon the adoption of the new share option scheme (the "New Share Option Scheme").

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

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

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

117,060,539 ordinary shares, being 10% of the issued share capital.

Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

Amount payable on acceptance

HKD1.00

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

Not applicable.

Basis of determining the exercise price

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

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

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

(c) the nominal value of an ordinary share.

The remaining life of the scheme

The Old Share Option Scheme would be valid and effective until 7 July 2012, after which no further options would be granted but the provisions of the Old Share Option Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Rules Governing the listing of Securities on the Stock Exchange which were granted during the duration of the Old Share Option Scheme and remained 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 were granted, notwithstanding the expiry of the Old Share Option Scheme.

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

For the year ended 31 December 2012

				Number of share options			
Date of grant	**Vesting period**	**Exercise period**	**Adjusted exercise price per share** *(note i)*	**As at 1 January 2012**	**Expired during the year**	**Forfeited/ lapsed during the year** *(note ii)*	**As at 31 December 2012**
Directors							
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HKD1.062	6,649,997	(6,649,997)	—	—
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HKD1.062	6,649,997	—	—	6,649,997
				13,299,994	(6,649,997)	—	6,649,997
Advisors							
29 December 2009	Nil	From 30 December 2009 to 31 December 2012	HKD1.062	2,518,939	(2,518,939)	—	—
29 December 2009	From 30 December 2009 to 29 December 2010	From 30 December 2010 to 31 December 2013	HKD1.062	2,518,939	—	—	2,518,939
				5,037,878	(2,518,939)	—	2,518,939
Employees (Continuous Contracts)							
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HKD1.062	23,919,964	(20,771,361)	(3,148,603)	—
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HKD1.062	25,703,150	—	(4,518,957)	21,184,193
				49,623,114	(20,771,361)	(7,667,560)	21,184,193
Total				67,960,986	(29,940,297)	(7,667,560)	30,353,129
Exercisable at year end							30,353,129
Weighted average exercise price				1.062	1.062	1.062	1.062

Notes:

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

(ii) During the year ended 31 December 2012, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

For the year ended 31 December 2011

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

Notes:

(i) All outstanding share options were granted on 29 December 2009 and their original initial exercise price is HKD1.07 per share. upon the completion of the Open Offer on 28 March 2011 and with effect from 29 March 2011, their exercise price was adjusted to HKD1.062 per share.

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

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

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

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

(b) new share option scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, the New Share Option Scheme with an expiry date on 27 May 2022 was adopted by the Company.

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

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

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

117,060,539 ordinary shares, being 10% of the issued share capital.

Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

Amount payable on acceptance

HKD1.00

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

Not applicable.

Basis of determining the exercise price

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

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

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

(c) the nominal value of an ordinary share.

The remaining life of the scheme

The New Share Option Scheme will be valid and effective until 27 May 2022, after which no further options will be granted but the provisions of the scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the Rules Governing the listing of Securities on the Stock Exchange which are granted during the duration of the scheme and remain unexercised immediately prior to 27 May 2022 shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of the scheme.

The following table discloses details of the Company's share options granted to directors and employees under the New Share Option Scheme and movements in such holding during the year:

For the year ended 31 December 2012

				Number of share options		
Date of offer	**Vesting date**	**Exercise period**	**Exercise price per share**	**As at 1 January 2012**	**Granted during the year**	**As at 31 December 2012**
Directors						
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	—	18,000,000	18,000,000
Employees (Continuous Contracts)						
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	—	87,450,000	87,450,000
29 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	—	450,000	450,000
Total				—	105,900,000	105,900,000
Exercisable at year end						105,900,000
Total				—	HKD0.49	HKD0.49

The fair values of the share options granted during the year ended 31 December 2012 were calculated by Vigers at RMB16,819,000 (equivalent to HKD20,642,000) using the Binominal Option Pricing pricing model which is one of the commonly used models for such purpose. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the model were as follows:

Share price	HKD0.45
Exercise price	HKD0.49
Expected life	4 years
Expected volatility	73.2%
Dividend yield	0.843%
Risk-free interest rate	0.288%
Fair value per option	HKD0.1869 to HKD0.2138

Expected volatility was determined by using the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

At 31 December 2012, all outstanding share options were fully vested. The Group recognized the total expense of RMB16,819,000 for the year ended 31 December 2012 in relation to share options granted by the Company.

36. CAPITAL AND OTHER COMMITMENTS

	2012	2011
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	220,681	208,198
— property, plant and equipment	53,542	64,497
— land use rights	—	14,400
	274,223	287,095

37. PLEDGE OF ASSETS

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

	2012	2011
	RMB'000	*RMB'000*
Bank deposits	779,932	498,138
Property, plant and equipment	20	1,287
Investment properties	3,651	26,217
	783,603	525,642

As at 31 December 2012, bills receivables discounted with full recourse are amounting to RMB425,136,000 (2011: RMB232,736,000).

38. RETIREMENT BENEFITS PLANS

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

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

The total cost charged to profit or loss of approximately RMB56,534,000 (2011: RMB55,725,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

39. NON-CASH TRANSACTIONS

During the year ended 31 December 2012, deposits paid for acquisition of property, plant and equipment and prepaid lease payment of approximately RMB132,809,000 (2011: RMB183,229,000) and nil (2011: RMB40,000,000), respectively, were transferred to property, plant and equipment.

40. OPERATING LEASES

The group as lessor

Machinery rental income earned during both years are as disclosed in note 6. At 31 December 2012 and 2011, all machineries held had no committed lessee.

Properties rental income earned during the year was RMB206,000 (2011: RMB678,000). One of the Group's investment properties is held for rental purpose. It is expected to generate rental yields of 3% on an ongoing basis. The property held has committed tenants for the next 2 years (2011: Nil).

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

	2012	2011
	RMB'000	*RMB'000*
Within one year	117	—
In the second to fifth year inclusive	68	—
	185	—

The group as lessee

Minimum lease payments made under operating leases during the year was RMB42,735,000 (2011: RMB39,094,000).

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

	2012	2011
	RMB'000	*RMB'000*
Within one year	32,944	36,312
In the second to fifth year inclusive	60,099	950
	93,043	37,262

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

41. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2012	2011
		RMB'000	*RMB'000*
SGMW	Sales by the Group *(note 5b)*	8,151,598	8,177,510
	Purchases of materials by the Group	1,923,957	1,948,559
	Warranty costs incurred by the Group	22,744	44,229
Liuzhou Wuling Group	Sales of raw materials and automobile components by the Group	146,021	138,335
	Purchase of automobiles component and other accessories by the Group	69,864	60,730
	Purchases of mini passenger buses by the Group	159,973	89,397
	Purchase of air-conditioning parts and accessories by the Group	3,468	1,779
	License fee paid by the Group	3,300	3,300
	Rental expenses paid by the Group (see vii below)	29,175	30,204
	Procurement services of water and power by the Group	1,223	1,872
	Purchases of electronic devices and components by the Group	3,477	1,783
	Interest expenses paid by the Group	4,517	3,737

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out in notes 24, 27 and 28.

(iii) Guarantees provided

(a) Pursuant to an undertaking agreement entered in 2008, Wuling Industrial agreed to provide corporate guarantee to a financial institution to the extent of RMB200,000,000 in respect of revolving banking facilities granted to liuzhou Wuling, pursuant to which liuzhou Wuling utilized approximately RMB117,319,000 of such banking facilities as at 31 December 2011. In the opinion of the directors of the Company, the fair value of the financial guarantee contract was insignificant.

Such guarantee was released during the year ended 31 December 2012.

(b) The guarantees provided to the Group by a director of the Company and by liuzhou Wuling are set out in note 31.

(iv) Compensation of key management personnel

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

	2012 *RMB'000*	2011 *RMB'000*
Short-term benefits	6,429	7,111
Post-employment benefits	299	387
Equity-settled share-based payments	3,456	184
	10,184	7,682

(v) Convertible loan notes

Details of convertible loan notes issued to Wuling HK in 2009 are set out in note 30.

(vi) Disposal of subsidiaries

Details of the disposal of Jenpoint limited and Dragon Hill Financial Services Holdings limited to Dragon Hill Holdings limited, a company wholly owned by Mr. lee, are set out in note 45.

(vii) Commitments

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

	2012 *RMB'000*	2011 *RMB'000*
Within one year	29,498	30,204
In the second to fifth year inclusive	58,996	—
	88,494	30,204

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the amounts due to shareholders and bank and other borrowings as disclosed in notes 28 and 31 respectively, and equity attributable to owners of the Company, comprising issued capital and various reserves.

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

43. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2012	2011
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	7,613,507	7,224,662
Available-for-sale financial assets	—	360
Held-for-trading investments	—	5
Financial liabilities		
Amortised cost	8,822,344	8,019,485
Fair value through profit or loss	7,534	18,843

(ii) Financial risk management objectives and policies

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

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

(a) Currency risk

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

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

	Assets		Liabilities	
	2012	2011	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	18,353	17,532	183,387	194,238
Euro	—	—	1,581	2,646

Sensitivity analysis

The Group is mainly exposed to HKD and Euro.

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

	2012	**2011**
	RMB'000	*RMB'000*
Impact on post-tax profit or loss		
— HKD	7,014	7,510
— Euro	67	112
	7,081	7,622

(b) Interest rate risk

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

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

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

Sensitivity analysis

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

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would increase by RMB96,000 (2011: decrease by RMB804,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(c) Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 41.

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

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 24) which represents 68% (2011: 63%) of the total trade and bills receivables as at 31 December 2012. For both years, SGMW, which is a well known private company engaging in the business of manufacturing and sales of automobiles in Guangxi, the PRC, has good financial position by reference to its respective financial statements, which are regularly reviewed by the Company's directors. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In view of the significant balance due from SGMW, the Group has kept regular contact with SGMW for updated information. In addition, as the Group has representation in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

In addition, the Group is exposed to concentration credit risk on the deposits for acquisition for land use rights and property, plant and equipment. Including in deposits for acquisition for land use rights and property, plant and equipment represents an amount of RMB25,200,000 and RMB14,240,000, respectively, paid to an independent third party, whose holding company is a private well known automobile mold manufacturing company in Taiwan, supplying automobile mold to internationally well known customers in automobile industry. Furthermore, the acquisition was completed in February 2013 and such deposits would be classified to the land use rights and the appropriate category of property, plant and equipment. In this regard, the directors of the Company believe that the Group's exposure is significantly reduced.

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

(d) Liquidity risk

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

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

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

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

	Weighted average effective interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	More than 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012								
Non-derivative financial liabilities								
Trade and other payables	—	4,793,256	2,295,552	—	—	—	7,088,808	7,088,808
Amounts due to shareholders								
— fixed rate	5.50	—	—	—	89,092	—	89,092	82,996
— non-interest bearing	—	170,962	—	—	443,327	—	614,289	614,289
Bank borrowings								
— fixed rate	5.51	2,335	164,932	361,654	1,102	—	530,023	508,580
— variable rate	3.42	15,518	7,962	—	—	—	23,480	22,941
Convertible loan notes	6.00	4,889	—	—	86,375	—	91,264	81,869
Other borrowings								
— Advances drawn on bills receivables discounted with recourse	4.19	222,902	202,234	—	—	—	425,136	422,861
		5,209,862	2,670,680	361,654	619,896	—	8,862,092	8,822,344

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

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to RMB1,064,000. Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank borrowings would be repaid 2 to 5 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to RMB1,357,000. As at 31 December 2011, all bank borrowings did not contain a repayment on demand clause.

At 31 December 2011, the amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount was claimed by the counterparty to the guarantee. Based on expectations at the end of that reporting period, the Group considered it was not probable that the amount would be payable under the arrangement. However, this estimate was subject to change depending on the probability of the counterparty claiming under the guarantee which was a function of the likelihood that the financial receivables held by the counterparty which were guaranteed suffer credit losses.

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

(iii) Fair value

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

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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative financial instrument is calculated using the inputs disclosed in note 30 by the Binominal Option Pricing Model.

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

Fair value measurements recognized in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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

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

	At 31.12.2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
Held-for-trading investments	—	—	—	—
Financial liabilities at FVTPL				
Derivative financial instrument	—	—	7,534	7,534

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

The reconciliation of level 3 fair value measurement financial liability has been disclosed in note 30.

44. ACQUISITION OF A SUBSIDIARY

On 31 March 2012, the Group acquired 75% equity interest in Jilin Chuofeng (the "Acquisition") which is principally engaged in the manufacture of combustion engines, for expansion of the Group's engines and related parts business in the northern region of the PRC, for the consideration of RMB26,450,000.

Details of the consideration transferred, assets acquired and liabilities assumed relating to the Acquisition are set out below.

	Notes	*RMB'000*
Consideration transferred		
Cash		23,000
Deferred consideration	*(i)*	3,450
Total consideration		26,450
Assets and liabilities recognized at the date of acquisition		
Current assets		
Inventories		34,374
Trade and other receivables	*(ii)*	30,416
Pledged bank deposits		8,925
Bank balances and cash		4,928
Non-current assets		
Property, plant and equipment		28,235
Prepaid lease payments		22,605
Current liabilities		
Trade and other payables		(70,714)
Bank borrowings		(23,000)
Non-current liabilities		
Deferred tax liabilities		(7,505)
		28,264
Non-controlling interest	*(iii)*	(7,066)
		21,198
Goodwill arising on acquisition	*(iv)*	5,252
Net cash outflow arising on acquisition		
Consideration paid in cash		23,000
Less: cash and cash equivalents acquired		(4,928)
		18,072

Notes:

(i) In the opinion of directors, the Group will settle the consideration within 1 year after the end of the reporting date upon the fulfillment of certain minor clauses in connection with the Acquisition.

(ii) The receivable acquired (which principally comprised trade receivables) with a fair value of RMB30,416,000 at the date of acquisition had gross contractual amounts of RMB30,416,000.

(iii) The non-controlling interests (25%) in Jilin Chuofeng recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Jilin Chuofeng.

(iv) Goodwill arose on the acquisition of Jilin Chuofeng because the acquisition included the assembled workforce of Jilin Chuofeng and prospective new customers as at the date of acquisition. These assets could not be separately recognized from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

No part of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(v) Acquisition-related costs of RMB108,000 were excluded from the cost of acquisition and were recognized directly as an expense in the current year.

(vi) Included in the profit for the current year is loss of RMB18,000 attributable to Jilin Chuofeng. Revenue of the Group for the current year includes RMB116,770,000 attributable to Jilin Chuofeng.

Had the acquisition of Jilin Chuofeng been completed on 1 January 2012, the Group's total revenue and profit for the year ended 31 December 2012 would have been RMB11,865,190,000 and RMB96,144,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the Group's revenue and results of operations that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Jilin Chuofeng been acquired at the beginning of the current year, the directors calculated depreciation and amortization of plant and equipment based on the recognized amounts of plant and equipment at the date of the acquisition.

45. DISPOSAL OF SUBSIDIARIES

(i) During the year ended 31 December 2012, the Group entered into an agreement with Dragon Hill Holdings limited ("DH Holdings") to dispose of its 100% equity interest in Jenpoint limited ("Jenpoint") and Dragon Hill Financial Services Holdings limited ("DHFS"), which are principally engaged in property investment, for a cash consideration of HKD6,000,000 (equivalent to RMB4,890,000). DH Holdings is a company wholly owned by Mr. lee Shing.

The disposal was completed on 28 May 2012, on which date the Group lost control over DHFS and Jenpoint.

The net assets of Jenpoint and DHFS at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	26,411
Properties, plant and equipment	1,326
Other receivables	95
Bank balances and cash	15
Bank borrowings	(24,266)
Other payables and accruals	(122)
Deferred tax liabilities	(32)
	3,427
Reclassification of cumulative exchange reserve upon disposal to profit or loss	(247)
	3,180
Gain on disposal	1,710
Total consideration	4,890
Net cash inflow arising on disposal:	
Total cash consideration received	4,890
Bank balances and cash disposed of	(15)
	4,875

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

(ii) On 23 May 2011, the Group entered into a conditional sale and purchase agreement with an independent third party, to dispose of certain subsidiaries that were engaged in security dealing and margin finance operations for a cash consideration of HKD4,500,000 (equivalent to approximately RMB3,737,000). The disposal was completed in July 2011.

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

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

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

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2012 and 2011 are as follows:

	Notes	2012 RMB'000	2011 RMB'000
TOTAL ASSETS			
Property, plant and equipment		342	71
Unlisted investment in subsidiaries		494,820	481,181
Prepayments and deposits		677	556
Amounts due from subsidiaries		3	1,123
Cash and cash equivalents		17,384	16,957
		513,226	499,888
TOTAL LIABILITIES			
Other payables and accruals		2,607	2,498
Amounts due to subsidiaries		69,161	100,630
Amount due to shareholders		82,996	83,169
Derivative financial instrument		7,534	18,843
Convertible loan notes		81,869	78,524
Bank borrowings		11,947	43,289
		256,114	326,953
NET ASSETS		257,112	172,935
CAPITAL AND RESERVES			
Share capital		4,524	4,524
Reserves	*(i) & (ii)*	252,588	168,411
TOTAL EQUITY		257,112	172,935

Notes:

(i) Reserves

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained profit (accumulated losses) RMB'000	Total RMB'000
At 1 January 2011	343,142	156,053	25,981	(528,202)	(3,026)
Profit and total comprehensive income for the year	—	—	—	56,904	56,904
Issue of shares upon open offer *(Note 34)*	126,081	—	—	—	126,081
Share issue expenses	(2,693)	—	—	—	(2,693)
Share premium reduction *(note ii)*	(466,530)	466,530	—	—	—
Set-off contributed surplus against accumulated losses *(note ii)*	—	(528,202)	—	528,202	—
Recognition of equity settled share-based payments	—	—	878	—	878
Forfeit of share options	—	—	(3,113)	3,113	—
Dividend recognized as distribution	—	—	—	(9,733)	(9,733)
At 31 December 2011	—	94,381	23,746	50,284	168,411
Profit and total comprehensive income for the year	—	—	—	72,129	72,129
Recognition of equity settled share-based payments	—	—	16,819	—	16,819
Forfeit/lapse of share options	—	—	(12,234)	12,234	—
Dividend recognized as distribution	—	—	—	(4,771)	(4,771)
At 31 December 2012	—	94,381	28,331	129,876	252,588

The Company's contributed surplus represents (a) 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; (b) the transfer of the credit arising from the cancellation of the paid-up capital in the reduction of the par value of each issued ordinary share. under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but is not presently qualified to do so; and (c) the transfer of the credit arising from the share premium and the absorption of accumulated losses on 27 May 2011.

(ii) Pursuant to a special resolution passed at the annual general meeting of the Company on 27 May 2011, (a) the entire amount outstanding to the credit of the share premium account of the Company was reduced to nil; (b) the credit arising from the Share Premium Reduction was transferred to the contributed surplus account of the Company; and (c) a sum of approximately HKD627,504,000 (equivalent to approximately RMB528,202,000) in the contributed surplus account of the Company was applied to set off against the accumulated losses of the Company.

47. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Cost of shares held	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings 2012		Interest holdings 2011		Principal activities
				Direct %	Indirect %	Direct %	Indirect %	
Wuling Industrial	N/A	The PRC 30 October 2006 *(note iii)*	RMB960,000,000	50.98 *(note i)*	—	50.98 *(note i)*	—	Investment holding and sales of motor vehicles
柳州五菱柳機動力有限公司 Liuzhou Wuling Liuji Motors Company limited	N/A	The PRC 16 June 1993 *(note iii)*	RMB100,120,000	—	50.98 *(note ii)*	—	50.98 *(note ii)*	Manufacture and sale of petrol engines and motor cycles engines
柳州五菱汽車聯合發展有限公司 Liuzhou Wuling Motors United Development Company limited ("Wuling united")	N/A	The PRC 25 December 2001 *(note iii)*	RMB100,000,000	—	50.97 *(note ii)*	—	50.97 *(note ii)*	Manufacture and sale of automobiles spare parts
柳州五菱專用汽車製造有限公司 Liuzhou Wuling Specialised Vehicles Manufacturing Company Limited ("Wuling Specialised Vehicles")	N/A	The PRC 10 December 2003 *(note iii)*	RMB15,000,000	—	49.98 *(note ii)*	—	49.98 *(note ii)*	Manufacture and sale of special vehicles
無錫五菱動力機械有限責任公司	N/A	The PRC 15 July 2005 *(note iii)*	RMB6,000,000	—	26 *(note ii)*	—	26 *(note ii)*	Manufacture and sale of accessories of motor vehicles
泰興市菱迪機械有限公司	N/A	The PRC 28 March 2004 *(note iii)*	RMB3,000,000	—	26 *(note ii)*	—	26 *(note ii)*	Manufacture and sale of engines
柳州長鵬汽車零部件有限公司	N/A	The PRC 27 June 2012 *(note iii)*	RMB15,000,000	—	26 *(note ii)*	—	26 *(note ii)*	Manufacture and sale of accessories of motor vehicles
吉林綽豐柳機內燃機有限公司 *(note v)*	N/A	The PRC 31 March 2012 *(note iii)*	RMB38,000,000	—	38.24 *(note ii)*	—	—	Manufacture and sale of combustion engines
Hilcrest limited	Ordinary	British Virgin Islands/ Hong Kong	US$1	100	—	100	—	Property investment
Watary Investments limited	Ordinary	British Virgin Islands/ Hong Kong	US$36,000	100	—	100	—	Investment holding
DHFS *(note iv)*	Ordinary	British Virgin Islands/ Hong Kong	HKD2,500,000	—	—	100	—	Investment holding
Dragon Hill Credit limited *(note iv)*	Ordinary	Hong Kong	HKD10,000,000	—	—	—	100	Money lending
Dragon Hill (HK) limited	Ordinary	Hong Kong	HKD10	—	100	—	100	Trading of marketable securities
DH Corporate Services Limited	Ordinary	Hong Kong	HKD2	—	100	—	100	Provision of administrative services
Jenpoint *(note iv)*	Ordinary	Hong Kong	HKD2	—	—	—	100	Property investment

Notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and liuzhou Wuling in 2007, the Company has control on Wuling Industrial, and the Company shares profit or loss of Wuling Industrial according to the amount of its paid up capital contribution in Wuling Industrial. The profit sharing ratio at 31 December 2012 of the Company and liuzhou Wuling in Wuling Industrial were 50.98% and 49.02%, respectively (2011: 50.98% and 49.02%).

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

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

(iv) The subsidiaries are disposed during the year.

(v) The subsidiary is acquired during the year.

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

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

48. EVENTS AFTER THE REPORTING PERIOD

In February 2013, the acquisition of certain land use rights, production facilities and related assets from a third party, Qingdao lianheng Automotive Components Co. limited, was completed and the relevant ownership certificates of the properties were obtained as disclosed in notes 21 and 22.

3. LATEST UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	**2012**
	Notes	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	6,489,908	5,998,983
Cost of sales		(5,841,903)	(5,405,496)
Gross profit		648,005	593,487
Other income		21,496	42,708
Other gains and losses		9,635	13,727
Selling and distribution costs		(154,460)	(155,547)
General and administrative expenses		(383,089)	(341,104)
Share of profit of a joint venture	*21*	323	—
Finance costs		(47,834)	(61,879)
Profit before taxation		94,076	91,392
Income tax expense	*4*	(19,121)	(29,469)
Profit for the period	*5*	74,955	61,923
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operation		811	1,002
Exchange reserve released upon disposal of subsidiaries	*9*	—	(247)
Other comprehensive income for the period		811	755
Total comprehensive income for the period		75,766	62,678
Profit for the period attributable to:			
Owners of the Company		42,905	31,003
Non-controlling interests		32,050	30,920
		74,955	61,923

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		43,716	31,758
Non-controlling interests		32,050	30,920
		75,766	62,678
Earnings per share	7		
— Basic		3.66 cents	2.65 cents
— Diluted		3.14 cents	1.77 cents

Condensed Consolidated Statement of Financial Position
At 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,482,055	1,294,854
Prepaid lease payments		212,058	189,918
Premium on prepaid lease payments		935	947
Investment properties	8	7,202	7,024
Intangible assets		628	628
Interest in a joint venture	21	12,308	—
Goodwill	19	5,252	5,252
Deposits for acquisition of land use rights		—	25,200
Deposits for acquisition of property, plant and equipment		173,716	247,172
		1,894,154	1,770,995
CURRENT ASSETS			
Inventories		689,263	710,516
Trade and other receivables	10	7,109,591	6,949,514
Prepaid lease payments		4,687	4,126
Tax recoverable		683	5,756
Pledged bank deposits		650,076	779,932
Bank balances and cash		164,775	483,161
		8,619,075	8,933,005
CURRENT LIABILITIES			
Trade and other payables	11	7,539,657	7,517,993
Amounts due to shareholders	14	140,343	170,962
Provision for warranty		150,332	146,501
Tax payable		31,006	9,828
Derivative financial instrument	12	1,462	7,534
Convertible loan notes	12	79,527	—
Bank borrowings — due within one year	13	644,463	953,328
		8,586,790	8,806,146
NET CURRENT ASSETS		32,285	126,859
TOTAL ASSETS LESS CURRENT LIABILITIES		1,926,439	1,897,854

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Amounts due to shareholders	14	574,417	526,323
Convertible loan notes	12	—	81,869
Bank borrowings — due after one year	13	969	1,054
Deferred tax liabilities		16,880	23,366
		592,266	632,612
		1,334,173	1,265,242
CAPITAL AND RESERVES			
Share capital	15	4,526	4,524
Reserves		571,744	533,673
Equity attributable to owners of the Company		576,270	538,197
Non-controlling interests		757,903	727,045
		1,334,173	1,265,242

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000 (note (i))	Share option reserve RMB'000	PRC general reserves RMB'000 (note (ii))	Capital reserve RMB'000 (note (iii))	Retained profits (Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012 (audited)	4,524	—	5,787	35,763	23,746	121,833	18,505	276,331	486,489	718,560	1,205,049
Profit for the period	—	—	—	—	—	—	—	31,003	31,003	30,920	61,923
Other comprehensive income for the period	—	—	755	—	—	—	—	—	755	—	755
Total comprehensive income for the period	—	—	755	—	—	—	—	31,003	31,758	30,920	62,678
Forfeiture of share options	—	—	—	—	(1,396)	—	—	1,396	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	7,066	7,066
Dividend paid	—	—	—	—	—	—	—	(4,771)	(4,771)	—	(4,771)
Dividend recognized as distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(42,004)	(42,004)
Transfers	—	—	—	—	—	25,234	—	(25,234)	—	—	—
Subtotal	—	—	—	—	(1,396)	25,234	—	(28,609)	(4,771)	(34,938)	(39,709)
At 30 June 2012 (unaudited)	4,524	—	6,542	35,763	22,350	147,067	18,505	278,725	513,476	714,542	1,228,018
At 1 January 2013 (audited)	4,524	—	5,233	35,763	28,331	177,251	18,505	268,590	538,197	727,045	1,265,242
Profit for the period	—	—	—	—	—	—	—	42,905	42,905	32,050	74,955
Other comprehensive income for the period	—	—	811	—	—	—	—	—	811	—	811
Total comprehensive income for the period	—	—	811	—	—	—	—	42,905	43,716	32,050	75,766
Forfeiture of share options	—	—	—	—	(271)	—	—	271	—	—	—
Exercise of share options	2	247	—	—	(69)	—	—	—	180	—	180
Acquisition of additional interest in a subsidiary *(note 20)*	—	—	—	—	—	—	—	(1,114)	(1,114)	(678)	(1,792)
Dividend paid	—	—	—	—	—	—	—	(4,709)	(4,709)	—	(4,709)
Dividend recognized as distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(514)	(514)
Transfers	—	—	—	—	—	576	—	(576)	—	—	—
Subtotal	2	247	—	—	(340)	576	—	(6,128)	(5,643)	(1,192)	(6,835)
At 30 June 2013 (unaudited)	4,526	247	6,044	35,763	27,991	177,827	18,505	305,367	576,270	757,903	1,334,173

Notes:

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

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

(iii) The capital reserve represents the deemed capital contribution arising on acquisition of a subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), from Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), which is a substantial shareholder of the Company by virtue of its 100% equity interest in Wuling (Hong Kong) Holdings Limited ("Wuling HK"). Wuling HK holds 37.03% equity interest in, and has significant influence over, the Company.

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2013

	Notes	For the six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Net cash from operating activities		83,240	390,956
Net cash used in investing activities			
Withdrawal of pledged bank deposits		797,902	677,664
Proceeds from disposal of property, plant and equipment		688	2,397
Deposits paid for acquisition of property, plant and equipment		(180,121)	(190,015)
Deposits paid for acquisition of land use rights		—	(10,620)
Deposits paid for acquisition of an investment property		—	(3,323)
Purchase of property, plant and equipment		(9,985)	(21,713)
Purchase of an investment property		—	(2,247)
Placement of pledged bank deposits		(668,046)	(1,299,805)
Acquisition of a subsidiary	*19*	—	(5,072)
Acquisition of additional interest in a subsidiary	*20*	(1,792)	—
Acquisition of interest in a joint venture	*21*	(11,985)	—
Disposal of subsidiaries	*9*	—	4,875
Other investing cash flows		14,142	15,442
		(59,197)	(832,417)
Net cash (used in) from financing activities			
Bank borrowings raised		180,156	208,092
Dividends paid to non-controlling interests of subsidiaries		(514)	—
Dividend paid		(4,709)	(4,771)
Interest paid		(34,676)	(62,510)
Repayment of bank borrowings		(272,524)	(660,089)
Advance from (repayment to) a shareholder		19,381	(64,017)
Net (decrease) increase in bills receivables discounted with recourse		(229,566)	1,494,841
Issue of shares upon exercise of share options		180	—
Other financing cash flows		—	(74)
		(342,272)	911,472
Net (decrease) increase in cash and cash equivalents		(318,229)	470,011
Cash and cash equivalents at 1 January		483,161	844,729
Effect of foreign exchange rate changes, net		(157)	(78)
Cash and cash equivalents at 30 June		164,775	1,314,662
Represented by:			
Bank balances and cash		164,775	1,314,662

Notes to the condensed consolidated financial statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Group's principal operations are conducted in the PRC. The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In addition, the Group adopted the following accounting policies in relation to changes in the Group's ownership interests in existing subsidiaries and investments in joint ventures during the current interim period.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

Investments in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

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

Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective in the current period

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	*Consolidated Financial Statements*;
HKFRS 11	*Joint Arrangements*;
HKFRS 12	*Disclosure of Interests in Other Entities*;
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance*;
HKFRS 13	*Fair Value Measurement*;
HKAS 19 (as revised in 2011)	*Employee Benefits*;
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*;
Amendments to HKFRS 7	*Disclosures — Offsetting Financial Assets and Financial Liabilities*;
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*;
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009-2011 Cycle*; and
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*.

New and revised Standards on consolidation and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the investees which are consolidated into the condensed consolidated financial statements before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in this condensed consolidated financial information.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 22. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in this condensed consolidated financial information.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 34 Interim Financial Reporting
(as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Total asset and liability information is not disclosed in this condensed consolidated financial information since the directors of the Company consider that there has not been any material change from the amounts disclosed in the last annual financial statement in any reportable segments.

The adoption of other new or revised HKFRSs has had no material effect on the reported amounts and disclosure set out in this condensed consolidated financial information.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

	Engines and related 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
Six months ended 30 June 2013							
REVENUE							
External sales	1,830,298	3,294,432	1,034,725	326,532	3,921	—	6,489,908
Inter-segment sales	363,910	92,967	2,923	132,149	—	(591,949)	—
Total	2,194,208	3,387,399	1,037,648	458,681	3,921	(591,949)	6,489,908
Segment profit (loss)	69,070	47,400	19,207	9,697	(293)		145,081
Bank interest income							14,142
Change in fair value of investment properties							346
Central administration costs							(24,054)
Change in fair value of derivative financial instrument							6,072
Share of profit of a joint venture							323
Finance costs							(47,834)
Profit before taxation							94,076
Six months ended 30 June 2012							
REVENUE							
External sales	1,832,665	2,822,243	886,146	457,772	157	—	5,998,983
Inter-segment sales	18,567	388,642	9,733	315,306	—	(732,248)	—
Total	1,851,232	3,210,885	895,879	773,078	157	(732,248)	5,998,983
Segment profit (loss)	71,403	30,023	36,400	20,331	(4,348)		153,809
Bank interest income							10,008
Change in fair value of investment properties							82
Central administration costs							(24,203)
Change in fair value of derivative financial instrument							12,097
Gain on disposal of subsidiaries							1,710
Loss on disposal of available-for-sale investments							(232)
Finance costs							(61,879)
Profit before taxation							91,392

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current period	24,174	22,722
Underprovision in prior years	8,230	4,755
	32,404	27,477
Deferred tax		
Current period	(13,283)	1,992
	19,121	29,469

The PRC

Under the PRC law on EIT and its implementation regulations, the EIT tax rate applicable to the Group's PRC subsidiaries is 25% from 1 January 2008 onwards. However, as the PRC subsidiaries are situated in specified provinces in western China, according to the relevant regulations, provided that they are engaged in government-encouraged industries to the extent of 60% of their business, they are entitled to a preferential EIT rate of 15%. In the opinion of the directors, during the current interim period, all PRC subsidiaries, other than Wuling Industrial, qualified for the preferential EIT rate.

Wuling Industrial had previously estimated its EIT provision for the year ended 31 December 2012 using the preferential EIT rate of 15% but subsequently found that it did not fulfill all the conditions required for such preferential treatment. Accordingly, an under-provision of EIT of RMB7,084,000 was recognized in profit and loss for the current interim period.

The EIT law also requires withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders. Prior to the current interim period, the Group had accrued withholding tax at the rate of 10% pending clarification from the relevant tax authority.

In July 2013, the Group received confirmation from the relevant tax authority that it was entitled to a withholding tax rate of 5% effective from October 2009. Accordingly, a reversal of withholding tax previously provided as deferred tax, amount to RMB14,836,000, was recognized in profit and loss in the current interim period.

Hong Kong

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

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

5. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' emoluments	2,012	2,068
Other staff costs	249,623	215,685
Retirement benefit scheme contributions, excluding directors	50,868	65,170
Total staff costs	302,503	282,923
Gross property rental income	(185)	(157)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	—	1
Net rental income	(185)	(156)
Change in fair value of derivative financial instruments	(6,072)	(12,097)
Gain on disposal of subsidiaries *(note 9)*	—	(1,710)
Gain on disposal of property, plant and equipment	(98)	(153)
Gain on revaluation of investment properties	(346)	(82)
Fair value change of held-for-trading investments	—	(1)
Loss on disposal of available-for-sale investments	—	232
Net exchange (gain) loss	(3,119)	84
Other gains and losses	(9,635)	(13,727)
Cost of inventories recognized as an expense	5,841,903	5,405,496
Depreciation of property, plant and equipment	75,758	58,268
Release of prepaid lease payments (included in general and administrative expenses)	2,499	2,173
Release of premium on prepaid lease payments (included in general and administrative expenses)	12	12
Research and development expenses (included in general and administrative expenses)	87,440	59,171
Bank interest income	(14,142)	(10,008)

6. DIVIDEND

During the current interim period, a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2012 (2012: HK0.5 cent per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend paid in the current interim period amounted to approximately HK$5,855,000 (or equivalent to RMB4,709,000) (2012: HK$5,853,000).

No dividends were proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (2012: Nil).

7. 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:

	For the six months ended 30 June 2013 *RMB'000*	2012 *RMB'000*
Earnings:		
Earnings for the purpose of basic earning per share (profit for the period attributable to owners of the Company)	42,905	31,003
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	4,394	4,259
Change in fair value of derivative financial instruments	(6,072)	(12,097)
Earnings for the purpose of diluted earnings per share	41,227	23,165

	For the six months ended 30 June 2013 *'000*	2012 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,171,002	1,170,605
Effect of dilutive potential ordinary shares:		
Share options	6,364	—
Convertible loan notes	136,986	136,986
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,314,352	1,307,591

The computation of diluted earnings per share for six months ended 30 June 2012 did not assume the exercise of the outstanding share options as the exercise price was higher than the average market price of the Company's shares during that period.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Investment properties

The Group's investment properties on 30 June 2013 were fair valued by Vigers Appraisal Consulting Limited ("Vigers"), a firm of qualified professional valuers not connected with the Group.

During the six months ended 30 June 2012, the Group (i) disposed of two subsidiaries which held investment properties with an aggregate fair value of RMB26,411,000 at the date of disposal, as valued by Vigers, and (ii) acquired investment properties for a cash consideration of RMB2,247,000 on 29 June 2012.

The valuations by Vigers were arrived at by reference to market evidence of transactions for similar properties. For the current interim period, the Group recognized a fair value gain of RMB346,000 attributable to its investment properties in profit and loss (2012: RMB82,000).

All the Group's investment properties are situated in Hong Kong and held under long term leases.

Properties, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to RMB263,562,000 (2012: RMB162,297,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB590,000 (2012: RMB2,244,000) for a cash proceeds of RMB688,000 (2012: RMB2,397,000), resulting in a gain on disposal of RMB98,000 (2012: RMB153,000).

9. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2012, the Group entered into an agreement with Dragon Hill Holdings Limited ("DH Holdings") to dispose of its 100% equity interest in Jenpoint Limited ("Jenpoint") and Dragon Hill Financial Services Holdings Limited ("DHFS"), which were principally engaged in property investment, for a cash consideration of HKD6,000,000 (equivalent to RMB4,890,000). DH Holdings is a company wholly owned by Mr. Lee Shing ("Mr. Lee"), a substantial shareholder and a director of the Company. Details of the disposal were disclosed in the Company's announcement dated 16 May 2012.

The net assets of Jenpoint and DHFS on 28 May 2012, the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
— Investment properties	26,411
— Properties, plant and equipment	1,326
— Other receivables	95
— Bank balances and cash	15
— Bank borrowings	(24,266)
— Other payables and accruals	(122)
— Deferred tax liabilities	(32)
	3,427
Reclassification of cumulative exchange reserve upon disposal to profit or loss	(247)
	3,180
Gain on disposal	1,710
Total consideration	4,890
Net cash inflow arising on disposal:	
Total cash consideration received	4,890
Bank balances and cash disposed of	(15)
	4,875

The subsidiaries disposed during the six months ended 30 June 2012 did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

10. TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(i)*	3,685,936	3,959,753
— Liuzhou Wuling Group	*(ii)*	121,912	25,062
— third parties		2,721,794	1,888,570
		6,529,642	5,873,385
Less: Allowance for doubtful debts		(9,489)	(11,631)
	(iii)	6,520,153	5,861,754
Other receivables:			
Prepayments for expenses		168	106
Prepayments for purchase of raw materials	*(iv)*	227,854	492,802
Value-added tax recoverable		108,466	106,192
Others		45,496	63,524
		381,984	662,624
Bills receivables discounted with recourse — third parties	*(v)*	207,454	425,136
Total trade and other receivables		7,109,591	6,949,514

Notes:

(i) Liuzhou Wuling has significant influence over SGMW.

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

(iii) Included in the balance were amounts of approximately RMB3,275,869,000 (31 December 2012: RMB2,931,507,000) of bills receivables.

(iv) Included in the balance in 31 December 2012 were amounts of approximately RMB319,370,000 paid to SGMW.

(v) The amount represents bills receivables discounted to banks with recourse with a maturity period of less than 180 days (31 December 2012: less than 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as stated in note 13.

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

An aging analysis of trade and bills receivables (net of allowance for doubtful debts) based on the invoice dates or bills issue dates is as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
0 to 90 days	4,471,185	4,088,087
91 to 180 days	1,917,535	1,715,720
181 to 365 days	123,845	50,616
Over 365 days	7,588	7,331
	6,520,153	5,861,754

Included in trade receivables balance are amounts of RMB1,529,616,000 (31 December 2012: RMB1,292,579,000) which goods were delivered but invoices not yet issued. The balance is included in 0 to 90 days band in the above aged analysis.

11. TRADE AND OTHER PAYABLES

	Notes	At 30 June 2013	At 31 December 2012
		RMB'000	*RMB'000*
Trade and bills payables:			
— SGMW		266,863	179,821
— Liuzhou Wuling Group		136,576	30,004
— Qingdao Dianshi Motors Accessories Company Limited ("Qingdao Dianshi")	*(i)*	14,923	14,765
— third parties		6,475,528	6,828,597
		6,893,890	7,053,187
Consideration payable *(note 19(i))*		3,450	3,450
Other payables and accruals	*(ii)*	642,317	461,356
Total trade and other payables		7,539,657	7,517,993

Notes:

(i) Qingdao Dianshi is a joint venture of the Group since 29 January 2013 as stated in note 21.

(ii) The amount represents receipt in advance from customers, accruals for staff costs and other operating expenses, payables for acquisition of property, plant and equipment and other miscellaneous payables.

An aging analysis of trade and bills payables based on the invoice date or bills issue date is as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
0 to 90 days	5,136,206	4,872,527
91 to 180 days	1,555,638	1,998,820
181 to 365 days	127,206	155,726
Over 365 days	74,840	26,114
	6,893,890	7,053,187

Included in trade payables balance are amounts of RMB1,517,761,000 (31 December 2012: RMB1,598,684,000) which goods were received but invoices not yet received. The balance is included in 0 to 90 band in the above aged analysis.

12. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with an aggregate principal sum of HK$100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling HK ("CN 2014"). CN 2014 is denominated in Hong Kong dollars 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 day commencing from 12 January 2010 upto the fifth business days prior to the maturity date, at a conversion price of HK$0.74 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2014 will be redeemed on the maturity date at par. As a result of the share placement and subscription at a discount on 12 March 2010, the conversion price of CN 2014 was adjusted from HK$0.74 per share to HK$0.73 per share with effect from 12 March 2010.

CN 2014 contains two components, being a liability component and a conversion option derivative.

The movements of the liability component of CN 2014 during the period are set out below:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
At the beginning of the period	81,869	78,524
Effective interest expense	4,394	4,259
Interest paid	(4,825)	(4,890)
Exchange difference	(1,911)	(448)
At the end of the period	79,527	77,445

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
At the beginning of the period	7,534	18,843
Changes in fair value recognized in profit and loss during the period	(6,072)	(12,097)
At the end of the period	1,462	6,746

The methods and assumptions applied for the valuation of the liability and conversion option components of CN 2014 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by 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 the 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 by Ascent Partners Valuation Services Limited and Vigers as of 30 June 2013 and 31 December 2012, respectively. The inputs into the model as at the respective dates are as follows:

	At 30 June 2013	**At 31 December 2012**
Share price	HKD0.50	HKD0.53
Conversion price	HKD0.73	HKD0.73
Expected dividend yield	1.5%	1.4151%
Volatility	45.357%	56.8138%

13. BANK BORROWINGS

	At 30 June 2013 *RMB'000*	**At 31 December 2012** *RMB'000*
Secured	6,661	22,941
Unsecured	431,887	508,580
	438,548	531,521
Advances drawn on bills receivable discounted with recourse *(note)*	206,884	422,861
	645,432	954,382
Comprising		
— Amount due on demand or within one year	644,463	953,328
— Amount due after one year	969	1,054
	645,432	954,382

Note: The amount represents the Group's other borrowings secured by the bills receivable discounted to banks with recourse (see note 10(v)).

During the current interim period, the Group obtained new unsecured bank loans of RMB180 million (2012: RMB208 million) which were used to repay existing bank loans and to finance the Group's daily operation.

The Group's bank loans carry interest at variable market rates based on Hong Kong Inter-bank Offered Rate or the People's Bank of China Benchmark Interest Rate, ranging from 2.2% to 6% (2012: 2.3% to 7.2%) per annum and are repayable in installments over a period of 1 to 8 years (2012: 1 to 15 years).

14. AMOUNTS DUE TO SHAREHOLDERS

	Notes	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Amounts due to shareholders			
— Liuzhou Wuling	*(i)*	631,535	614,289
— Wuling HK	*(ii)*	83,225	82,996
		714,760	697,285
Carrying amount repayable:			
On demand or within one year		140,343	170,962
More than one year, but not exceeding two years		574,417	526,323
		714,760	697,285
Less: Amount due within one year shown under current liabilities		(140,343)	(170,962)
Amount shown under non-current liabilities		574,417	526,323

Notes:

(i) The entire balance is unsecured. Other than an amount of RMB417,596,000 (31 December 2012: Nil) which is interest bearing at 3%, the balance is interest-free. Other than an amount of RMB494,837,000 (31 December 2012: RMB444,837,000) which is repayable one year after the end of the reporting period, the balance is repayable on demand.

(ii) Other than an amount of RMB79,580,000 (31 December 2012: RMB81,456,000) which is unsecured, interest-bearing at 5.5% (31 December 2012: 5.5%) per annum and repayable one year after the end of the reporting period, the balance is unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	Number of shares	Amount HK$'000
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 2012, 30 June 2012, 31 December 2012 and 30 June 2013		101,521
Ordinary shares issued and fully paid:		
As at 1 January 2012, 30 June 2012 and 31 December 2012	1,170,605,390	4,682
Exercise of share options	460,000	2
As at 30 June 2013	1,171,065,390	4,684

	RMB'000
Shown in the consolidated financial statements as:	
— 31 December 2012	4,524
— 30 June 2013	4,526

16. SHARE OPTION SCHEMES

(a) Old Share Option Scheme

On 11 June 2002, the Company adopted a share option scheme (the "Old Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, which was terminated by the shareholders of the Company in the Company's annual general meeting held on 28 May 2012 upon the adoption of the new share option scheme (the "New Share Option Scheme").

The table below discloses movement of the Company's share options held by the Group's directors, advisors and employees under the Old Share Option Scheme:

	Number of share options			
	Directors	**Advisors**	**Employees (Continuous Contracts)**	**Total**
Outstanding at 1 January 2013	6,649,997	2,518,939	21,184,193	30,353,129
Forfeited during the period	—	—	(806,061)	(806,061)
Outstanding at 30 June 2013	6,649,997	2,518,939	20,378,132	29,547,068

Included in the share options granted to employees were 352,651 share options which were granted to an employee of the Company who is the spouse of Mr. Lee.

(b) New Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, the New Share Option Scheme with an expiry date on 27 May 2022 was adopted by the Company.

The table below discloses movement of the Company's share options held by the Group's directors and employees under the New Share Option Scheme:

	Number of share options		
	Directors	**Employees (Continuous Contracts)**	**Total**
Outstanding at 1 January 2013	18,000,000	87,900,000	105,900,000
Exercised during the period	—	(460,000)	(460,000)
Forfeited during the period	—	(650,000)	(650,000)
Outstanding at 30 June 2013	18,000,000	86,790,000	104,790,000

Included in the share options granted to employees were 1,600,000 share options which were granted to an employee of the Company who is spouse of Mr. Lee.

17. CAPITAL AND OTHER COMMITMENTS

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of:		
— construction in progress	167,945	220,681
— property, plant and equipment	142,001	53,542
	309,946	274,223

18. OPERATING LEASES

The Group as lessee

Minimum lease payments made under operating leases during the period was RMB19,263,000 (2012: RMB20,947,000).

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

	At 30 June 2013 *RMB'000*	At 31 December 2012 *RMB'000*
Within one year	31,867	32,944
In the second to fifth year inclusive	44,247	60,099
	76,114	93,043

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

19. ACQUISITION OF A SUBSIDIARY

On 31 March 2012, the Group acquired 75% interest in Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") which is principally engaged in the manufacture of combustion engines, for expansion of the Group's engines and related parts business in the northern region of the PRC, for a consideration of RMB26,450,000.

Details of the consideration transferred, assets acquired and liabilities assumed relating to the acquisition are set out below.

Consideration transferred

	Notes	*RMB'000*
Cash		23,000
Deferred consideration	*(i)*	3,450
Total consideration		26,450
Assets and liabilities recognized at the date of acquisition		
Current assets		
Inventories		34,374
Trade and other receivables	*(ii)*	30,416
Pledged bank deposits		8,925
Bank balances and cash		4,928
Non-current assets		
Property, plant and equipment		28,235
Prepaid lease payments		22,605
Current liabilities		
Trade and other payables		(70,714)
Bank borrowings		(23,000)
Non-current liabilities		
Deferred tax liabilities		(7,505)
		28,264
Non-controlling interest	*(iii)*	(7,066)
		21,198
Goodwill arising on acquisition	*(iv)*	5,252
Net cash outflow arising on acquisition		
Consideration paid in cash		10,000
Less: cash and cash equivalents balances acquired		(4,928)
		5,072

Notes:

(i) The consideration was settled by the Group in July 2013.

(ii) The receivable acquired (which principally comprised trade receivables) with a fair value of RMB30,416,000 at the date of acquisition had gross contractual amounts of RMB30,416,000.

(iii) The non-controlling interests (25%) in Jilin Chuofeng recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Jilin Chuofeng.

(iv) Goodwill arose on the acquisition of Jilin Chuofeng because the acquisition included the assembled workforce of Jilin Chuofeng and prospective new customers as at the date of acquisition. These assets could not be separately recognized from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

No part of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(v) Acquisition-related costs of RMB108,000 were excluded from the cost of acquisition and were recognized directly as an expense for the six months ended 30 June 2012.

(vi) Included in the profit for the six months ended 30 June 2012 is a loss of RMB563,000 attributable to Jilin Chuofeng. Revenue of the Group for the six months ended 30 June 2012 includes an amount of RMB54,023,000 attributable to Jilin Chuofeng.

Had the acquisition of Jilin Chuofeng been effected on 1 January 2012, the Group's total revenue and profit for the six months ended 30 June 2012 would have been RMB6,008,048,000 and RMB59,490,000, respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of the Group's revenue and results of operations that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

In determining the above 'pro-forma' revenue and profit of the Group, the directors calculated depreciation and amortization of plant and equipment based on the recognized amounts of plant and equipment at the date of the acquisition.

20. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 23 January 2013, Wuling Industrial, acquired an additional 2% equity interest in Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited from Liuzhou Wuling at a consideration of RMB1,792,000. Details of the acquisition were disclosed in the Company's announcement dated 23 January 2013.

21. INTEREST IN A JOINT VENTURE

On 29 January 2013, the Group acquired 51% equity interest in Qingdao Dianshi from an independent third party at a cash consideration of RMB11,985,000. Qingdao Dianshi is principally engaged in the manufacture of automotive accessories and is one of the suppliers of the Group.

The Group holds 51% of the share capital of Qingdao Dianshi. However, Qingdao Dianshi is jointly controlled by the Group and the other shareholders by virtue of contractual arrangements among shareholders which requires two-third shareholders' approval for major business decisions. Therefore, Qingdao Dianshi is classified as joint venture of the Group.

	At 30 June 2013 *RMB'000*
Cost of unlisted investment in a joint venture	11,985
Share of post-acquisition profits, net of dividends received	323
	12,308

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Fair value as at		
	30 June 2013	**31 December 2012**	**Fair value hierarchy**
	RMB'000 (unaudited)	*RMB'000* (audited)	
Financial liability			
Conversion option embedded in CN 2014	1,462	7,534	Level 3

Note: The valuation technique adopted for the above instrument is set out in note 12(ii).

(ii) Reconciliation of Level 3 Measurements

The reconciliation of Level 3 measurements of the Group's financial instruments for the six months ended 30 June 2013 is set out in note 12.

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

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

23. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company		Transactions	For the six months ended 30 June 2013 RMB'000	2012 RMB'000
Liuzhou Wuling Group	Liuzhou Wuling, being substantial shareholder of the Group, and its affiliates *(note 10(ii))*	Sales of raw materials and automobile components by the Group	170,208	95,176
		Purchase of automobiles component and other accessories by the Group	43,632	35,011
		Purchases of mini passenger buses by the Group	153,671	85,135
		Purchase of air-conditioning parts and accessories by the Group	3,613	2,794
		License fee paid by the Group	650	1,650
		Rental expenses paid by the Group	14,113	16,565
		Procurement services of water and power by the Group	574	963
		Purchases of electronic devices and components by the Group	3,538	677
		Interest expenses paid by the Group on		
		— Amount due to shareholder *(note 14)*	8,522	2,331
		— Advances drawn on bills receivables *(note 23vii)*	7,544	—
		Acquisition of additional interest in a subsidiary *(note 20)*	1,792	—
Qingdao Dianshi	Joint venture	Purchase of automobiles component and other accessories by the Group	36,010	—
SGMW	Related party *(note 10(i))*	Sales by the Group	4,215,096	4,253,553
		Purchase of materials by the Group	1,072,187	1,049,772
		Warranty costs incurred by the Group	12,909	11,159

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out in notes 10, 11 and 14.

(iii) Guarantees provided

The Group's secured bank borrowings were also supported by a personal guarantee to the extent of HKD9,662,000 given by Mr. Lee on 31 December 2012. The guarantee was released during the current interim period.

The Group's unsecured bank borrowings are supported by corporate guarantee to the extent of RMB1,100,000,000 (31 December 2012: RMB797,000,000) given by Liuzhou Wuling.

(iv) Compensation of key management personnel

The remuneration of the Group's key management in respect of the period are as follows:

	For the six months ended 30 June 2013	2012
	RMB'000	*RMB'000*
Short-term benefits	1,984	1,915
Post-employment benefits	28	153
	2,012	2,068

(v) Convertible loan notes

Details of convertible loan notes issued to Wuling HK in 2009 are set out in note 12.

(vi) Details of the disposal of Jenpoint and DHFS to DH Holdings, a company wholly owned by Mr. Lee, are set out in note 9.

(vii) Provision of facility

Liuzhou Wuling agreed to provide a facility to the Group, whereby the Group could discount, without recourse, its bill receivables to Liuzhou Wuling to the extent of RMB1,000,000,000. The discounting rate was the lower of 90% of market discounting rate or a fixed rate of 3.5%. During the current interim period, the Group discounted bills receivables of RMB858,600,000 to Liuzhou Wuling with a maturity period less than 180 days and at an average discount rate of 3.5%.

(viii) Commitments

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

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
Within one year	30,435	29,498
In the second to fifth year inclusive	44,247	58,996
	74,682	88,494

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including available credit facilities, internally generated funds, and the cash flow impact of issue of the Convertible Notes, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

5. INDEBTEDNESS OF THE GROUP

At the close of business on 31 October 2013, being the latest practicable date for purpose of this indebtedness statement prior to the printing of this circular, the Group's indebtedness statements were as below:

	RMB'000	*Notes*
Bank borrowings — secured	18,876	*1*
Bank borrowings — unsecured	229,130	*2*
Amounts due to shareholders	678,233	*3*
Bills payables — secured	3,381,540	*1*
Advances drawn on bills receivable discounted with recourse	442,759	*4*
Convertible loan notes	81,968	*5*

Notes:

1. These borrowings were secured by fixed charges on the Group's pledged bank deposits and certain of the Group's investment properties.

2. Of these, bank borrowings of approximately RMB0.5 million and RMB129 million are guaranteed by an independent third party and Liuzhou Wuling, respectively. Liuzhou Wuling is a substantial Shareholder by virtue of its 100% equity interest in the Subscriber, which holds 37% equity interest in, and has significant influence over, the Company.

3. These represent unsecured amounts due to Liuzhou Wuling and the Subscriber.

4. The advances drawn on bills receivable discounted with recourse were secured by bills receivables of the Group in the same amount.

5. This represents the liability component of unsecured convertible loan notes with an aggregate principal sum of HK$100,000,000 at par issued by the Company to the Subscriber.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 October 2013, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

6. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Subscriber and parties acting in concert with it, but including the information of Dragon Hill) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular (other than those relating to the Subscriber and parties acting in concert with it, but including the information on Dragon Hill) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of the Subscriber jointly and severally accept full responsibilities for the accuracy of the information contained in this circular (other than those relating to the Group and Dragon Hill) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND THE 2009 CONVERTIBLE NOTES

(a) Share Capital

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to and until the date of completion of the Subscription, and (save for the issue of 344,827,586 Conversion Shares) up to and until the date of issue of such Conversion Shares, the authorised and issued share capital of the Company (i) as at the Latest Practicable Date and immediately after date of completion of the Subscription; and

(ii) immediately after the date of issue of 344,827,586 Conversion Shares upon exercise in full of the Conversion Rights at the initial Conversion Price, are as follows:

(i) As at the Latest Practicable Date and immediately after date of completion of the Subscription

Authorised:		*HK$*
25,000,000,000	Shares	100,000,000.00
1,521,400,000	Convertible preference shares of HK$0.001 each	1,521,400.00
Issued and fully paid:		
1,172,165,390	Shares	4,688,661.56

There has been no alternation to the authorised share capital of the Company since the end of its last financial year, being 31 December 2012. All of the Shares currently in issue rank pari passu in all respects with each other including, in particular, as to dividends, voting rights and capital. Except for a total number of 1,560,000 new Shares issued to certain employees of the Group upon exercises of Share Options held by them on 10 January 2013, 21 January 2013, 29 January 2013, 30 January 2013, 7 November 2013 and 8 November 2013 respectively, since 31 December 2012 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, there had not been any new issue of Shares by the Company.

(ii) Immediately after date of issue of 344,827,586 Conversion Shares upon full exercise of the Conversion Rights at the initial Conversion Price

Authorised:		*HK$*
25,000,000,000	Shares	100,000,000.00
1,521,400,000	Convertible preference shares of HK$0.001 each	1,521,400.00
Issued and fully paid:		
1,172,165,390	Shares as at the Latest Practicable Date	4,688,661.56
344,827,586	Conversion Shares to be allotted and issued	1,379,310.34
1,516,992,976		6,067,971.90

All of the 344,827,586 Conversions Shares will rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital, and will rank pari passu in all respects with all Shares in issue as at the date of allotment and issue of the Conversion Shares. The Conversion Shares will be listed and traded on the Stock Exchange. There are no arrangements under which future dividends are waived or agreed to be waived.

(b) Share Options

As at the Latest Practicable Date, the Company has the following outstanding Share Options held by the Directors, the employees and advisers of the Group:

Date of grant	Exercise price per Share	Exercisable period		Number of Shares which may fall to be issued upon exercise of the Share Options
		From	To	
	HK$			
29 December 2009	1.062	30 December 2009	31 December 2013	2,518,940
29 December 2009	1.062	21 January 2010	31 December 2013	27,028,128
15 June 2012	0.49	6 October 2012	30 June 2016	103,240,000
29 June 2012	0.49	6 October 2012	30 June 2016	450,000

Notes:

1. As at the Latest Practicable Date, certain Share Options carrying subscription rights to subscribe for a total of 22,595,074 Shares are held by parties acting in concert with the Subscriber, including (i) Mr. Sun Shaoli, who is a director of the Subscriber, as well as an executive Director and the Chairman of the Company; (ii) Mr. Wei Hongwen, who is a director of the Subscriber and an executive Director; (iii) Mr. Zhong Xianhua, who is a senior management member of the Subscriber and an executive Director; (iv) 3 other individuals who hold/held directorships and/or senior management posts in the Subscriber and/or its holding companies (including an ex-director of Liuzhou Wuling; and (v) Mr. Lee Shing (who is an executive Director, the Vice-chairman and the Chief Executive Officer of the Company as well as the ultimate beneficial owner of Dragon Hill and a substantial Shareholder) and his spouse.

2. As at the Latest Practicable Date, certain other Directors, employees and advisers of the Group who are not parties acting in concert with the Subscriber held the Share Options which carry subscription rights to subscribe for a total of 110,641,994 Shares.

(c) 2009 Convertible Notes

As at the Latest Practicable Date, the 2009 Convertible Notes with an aggregate principal amount of HK$100,000,000, which are convertible into a total of 136,986,300 Shares during the four-year period commencing from 12 January 2010 at the existing conversion price of HK$0.73 per Share, were outstanding.

Save as disclosed above, the Company did not have any other derivatives, options, warrants and other convertible securities or rights convertible into Shares as at the Latest Practicable Date.

3. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last trading day of each of the six months immediately preceding the date of Announcement; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price of Shares *HK$*
2013	
31 May	0.475
28 June	0.500
31 July	0.510
30 August	0.480
30 September	0.490
31 October	0.530
the Last Trading Day	0.570
Latest Practicable Date	0.560

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing on 27 May 2013 (being the six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$0.620 and HK$0.455 per Share respectively.

4. DISCLOSURES OF INTERESTS

(a) Directors and the chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interest or short positions in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules:

(i) Long positions in respect of the Shares

Name of Directors	Capacity	Number of Shares held	Approximate % of the issued share capital
Mr. Lee Shing *(Notes 1 and 4)*	Interest in controlled corporation	281,622,914	24.02%
Mr. Zhou Sheji *(Notes 2 and 5)*	Interest in controlled corporation	44,770,000	3.82%
Mr. Wei Hongwen *(Note 6)*	Beneficial owner	200,000	0.02%

(ii) Long positions in respect of the Share Options

Name of Directors	Capacity	Number of Options held	Exercise Period	Subscription price per Share	Approximate % of the issued share capital
Mr. Sun Shaoli	Beneficial owner	906,818	From 21 January 2011 to 31 December 2013	HK$1.062	
		3,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		3,906,818			0.33%

Name of Directors	Capacity	Number of Options held	Exercise Period	Subscription price per Share	Approximate % of the issued share capital
Mr. Lee Shing	Beneficial owner *(Note 4)*	906,818	From 21 January 2011 to 31 December 2013	HK$1.062	
		3,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		3,906,818			0.33%
	Family Interest *(Note 3)*	352,651	From 21 January 2011 to 31 December 2013	HK$1.062	
		1,600,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		1,952,651			0.17%
Mr. Wei Hongwen	Beneficial owner *(Note 6)*	806,060	From 21 January 2011 to 31 December 2013	HK$1.062	
		3,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		3,806,060			0.33%
Mr. Zhong Xianhua	Beneficial owner	705,303	From 21 January 2011 to 31 December 2013	HK$1.062	
		2,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		2,705,303			0.23%
Ms. Liu Yaling	Beneficial owner	806,060	From 21 January 2011 to 31 December 2013	HK$1.062	
		2,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		2,806,060			0.24%
Mr. Zhou Sheji	Beneficial owner *(Note 5)*	705,303	From 21 January 2011 to 31 December 2013	HK$1.062	
		2,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		2,705,303			0.23%
Mr. Yu Xiumin	Beneficial owner	604,545	From 21 January 2011 to 31 December 2013	HK$1.062	
		1,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		1,604,545			0.14%
Mr. Zuo Duofu	Beneficial owner	604,545	From 21 January 2011 to 31 December 2013	HK$1.062	
		1,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		1,604,545			0.14%
Mr. Ye Xiang	Beneficial owner	604,545	From 21 January 2011 to 31 December 2013	HK$1.062	
		1,000,000	From 6 October 2013 to 30 June 2016	HK$0.49	
		1,604,545			0.14%

Notes:

(1) The 281,622,914 Shares are currently held by Dragon Hill, a company wholly-owned by Mr. Lee Shing.

(2) The 44,770,000 Shares are owned by Gao Bao Development Limited, a company wholly-owned by Mr. Zhou Sheji.

(3) The 1,952,651 Share Options are held by the spouse of Mr. Lee Shing.

(4) Mr. Lee Shing is in aggregate interested in 281,622,914 Shares and 5,859,469 Share Options, representing approximately 24.52% of the total issued share capital of the Company.

(5) Mr. Zhou Sheji is in aggregate interested in 44,770,000 Shares and 2,705,303 Share Options, representing approximately 4.05% of the total issued share capital of the Company.

(6) Mr. Wei Hongwen is in aggregate interested in 200,000 Shares and 3,806,060 Share Options, representing approximately 0.35% of the total issued share capital of the Company.

(b) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as it was known to the Directors and chief executive of the Company, no other persons had an interest or a short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO, or who (other than a member of the Group was) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
Dragon Hill *(Note 1)*	Beneficial owner	Corporate	281,622,914	24.02%
Mr. Lee Shing	Interest in controlled corporation *(Note 1)*	Corporate	281,622,914	24.02%
	Beneficial owner *(Note 2)*	Share Options	3,906,818	0.33%
	Interest held by spouse *(Note 2)*	Family Share Options	1,952,651	0.17%
		Total	287,482,383	24.52%

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
The Subscriber *(Notes 3 and 4)*	Beneficial owner	Corporate	433,651,975	37.00%
		Unlisted derivatives	481,813,886	41.10%
		Total	915,465,861	78.10%
Wuling HK *(Notes 3 and 4)*	Interest in controlled corporation	Corporate	433,651,975	37.00%
		Unlisted derivatives	481,813,886	41.10%
		Total	915,465,861	78.10%
Liuzhou Wuling *(Notes 3 and 4)*	Interested in controlled corporation	Corporate	433,651,975	37.00%
		Unlisted derivatives	481,813,886	41.10%
			915,465,861	78.10%

Notes:

(1) The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee Shing, an executive Director. Accordingly, the Shares held by Dragon Hill has also been disclosed as long position of Mr. Lee Shing in the above table.

(2) These represent the Share Options held by Mr. Lee Shing and his spouse.

(3) The entire issued share capital of the Subscriber 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 be interested in the Shares held by the Subscriber under the SFO.

(4) The unlisted derivatives referred to 136,986,300 Shares issuable to the Subscriber upon exercise in full of the conversion rights attached to the 2009 Convertible Notes and 344,827,586 Shares issuable to the Subscription upon exercise in full of the Conversion Rights attached to the Convertible Notes.

5. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

As at the Latest Practicable Date,

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any parties acting in concert with it and other persons in relation to the transfer, charge or pledge of the Shares that may be issued and allotted to the Subscriber or any parties acting in concert with it under the Subscription or as a result of any obligation under the Subscription Agreement.

(b) save as disclosed in the section headed "The Whitewash Waiver" in the letter from the Board of this circular, none of the Subscriber and parties acting in concert with it held, owned or controlled any other Shares, convertible securities, warrants, options or derivatives of the Company. In addition, save for the Subscription, none of the Subscriber and parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(c) save as disclosed in the section headed "The Whitewash Waiver" in the letter from the Board of this circular, none of the directors of the Subscriber was interested in any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the directors of the Subscriber has dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(d) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

(e) the Subscriber or parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.

(f) none of the Subscriber and parties acting in concert with it has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares to any person.

(g) save as disclosed in the paragraph headed "Disclosures of Interests" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In additional, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning 6 months prior to 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(h) none of the Company and the Directors held any Shares, convertible securities, warrants, options or derivatives of the Subscriber or similar rights which are convertible or exchangeable into shares of the Subscriber. None of them has dealt for value in any shares, convertible securities, warrants, options or derivatives of the Subscriber during the period beginning 6 months prior to 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(i) save for the Shares held and dealt for the accounts of the respective non-discretionary clients by the brokerage division of a fellow subsidiary of Celestial Capital Limited, the financial adviser to the Company, none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code), had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company, and none of them had dealt for value in any securities of the Company beginning on 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(j) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code and none of them had dealt for value in any securities of the Company for the period beginning on 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(k) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, nor had any such fund managers dealt for value in any securities of the Company for the period beginning on 27 November 2013 (being the date of the Announcement) and ending on the Latest Practicable Date.

(l) save for Mr. Lee Shing and Mr. Wei Hongwen who are parties acting in concert with the Subscriber and hence will abstain from voting on the relevant resolutions in respect of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver at the SGM, Mr. Zhou Sheji had expressed his intention, in respect of his own beneficial shareholdings through Gao Bao Development Limited, to vote for the resolutions to be proposed at the SGM to approve the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

(m) none of the Company nor any Directors has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar rights which are convertible or exchangeable into Shares.

(n) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

(o) there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between the Subscriber or any parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver; and (ii) between any Directors and any other persons which is conditional on or dependent upon the outcome of the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares under specific mandate) and the Whitewash Waiver.

(p) there was no material contract entered into by the Subscriber or any parties acting in concert with it in which any Directors has a material personal interest.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any or its subsidiaries or associated companies:

(i) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to the date of the Announcement;

(ii) which are continuous contracts with a notice period of 12 months or more;

(iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or

(iv) which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by members of the Group after the date 2 years immediately preceding the date of the Subscription Agreement, being 27 November 2013, and up to the Latest Practicable Date which are or may be material:

(i) the Subscription Agreement;

(ii) the joint venture agreement entered into between Wuling Industrial and 廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Stock Company Limited*) ("**Guangxi Liugong**"), an independent third party and a company established in the PRC and a publicly listed company in relation to the establishment of a joint venture company on 28 August 2013, which shall be owned as to 50% by Wuling Industrial and 50% by Guangxi Liugong at an initial total registered capital of RMB50,000,000, in which Wuling Industrial shall contribute RMB25,000,000 in cash, for the purpose of developing the businesses of research and design, production, sales and after sales services relating to plate metal sheets and cooling system for engineering machinery and other industrial vehicles such as forklift vehicles, etc, which shall be supplied to Guangxi Liugong and other third parties customers. Details of this joint venture agreement have been fully disclosed in the Company's announcement dated 27 August 2013;

(iii) the sale and purchase agreement entered into between Wuling Industrial (as transferee) and Liuzhou Wuling (as transferor) on 23 January 2013 in relation to the transfer of 2% equity interest in 柳州五菱專用汽車製造有限公司 (Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited*) ("**Wuling Specialized Vehicles**"), a non-wholly owned subsidiary of Wuling Industrial at a consideration of RMB1,792,408 payable in cash for the purpose of facilitating the absorption and merger exercise of Wuling Specialized Vehicles by Wuling Industrial which formed part of the cost saving and operation integration program of Wuling Industrial. Details of this sale and purchase agreement have been fully disclosed in the Company's announcement dated 23 January 2013; and

(iv) the sale and purchase agreements entered into between the Company (as transferor) and Dragon Hill Holdings Limited (as transferee) on 16 May 2012, a company beneficially owned by Mr. Lee Shing, an executive Director, for the disposal of its 100% equity interest in Jenpoint Limited and Dragon Hill Financial Services Holdings Limited together with the related shareholder's advances for an aggregate consideration of HK$6,000,000 in cash for the purpose of disposing non-core business related assets, to reduce the debt positions and to generate working capital to the Group. Details of these sale and purchase agreements have been fully disclosed in the Company's announcement dated 16 May 2012.

8. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, (i) none of the Directors had any interest in any assets which had been since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

9. MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

10. COMPETING INTEREST

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Company.

11. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the expert who has given an opinion or advice contained in this circular:

Name	**Qualification**
Proton Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Proton Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscriber for shares in any member of the Group.

As at the Latest Practicable Date, Proton Capital did not have any interest, direct or indirect, in any asset which since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

Proton Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear in this circular.

12. GENERAL

(a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The head office and principal place of business of the Company is Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(c) The transfer office and branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, 26th Floor Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The secretary of the Company is Mr. Lai Shi Hong, Edward, 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 the Chartered Certified Accountants.

(e) As at the Latest Practicable Date, the Board consisted of Mr. Sun Shaoli, Mr. Lee Shing, 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.

(f) The directors of the Subscriber are Mr. Sun Shaoli and Mr. Wei Hongwen. The directors of Wuling HK are Mr. Sun Shaoli and Mr. Wei Hongwen. The directors of Liuzhou Wuling (the ultimate controlling shareholder of the Subscriber) are Mr. Sun Shaoli, Mr. Wei Hongwen, Mr. Wei Honde, Mr. Wu Yibo, Mr. Feng Li, Mr. Zhang Nan and Mr. Zhu Yuanhu.

(g) The correspondence and registered address of the Subscriber is Room 2404, 24/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong.

The correspondence and registered address of Dragon Hill is Room 905, Wing Fu Building, 22–24 Wing Kut Street, Central, Hong Kong.

The address of Mr. Lee Shing is Block A, 6/F, Victoria Court, 50–56 Hing Fat Street, Hong Kong.

The address of Mr. Wei Hongwen is Room 301, 11-16-6, Haiguan Road, Chengzhong District, Liuzhou, Guangxi, the PRC.

(h) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available (i) on the Company's website at www.wuling.com.hk and (ii) the website of Securities and Futures Commission at www.sfc.hk and (iii) for inspection during the normal business hours from 9:00 a.m. to 5:00 p.m. on any business day at the principal place of business of the Company in Hong Kong at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Subscriber;

(c) the annual reports of the Company containing audited consolidated financial statements of the Company for the two years ended 31 December 2011 and 2012;

(d) the interim report of the Company for the six months ended 30 June 2013;

(e) the letter from the Board to the Shareholders, the text of which is set out on pages 7 to 25 of this circular;

(f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 26 to 27 of this circular;

(g) the letter from Proton Capital, the text of which is set out on pages 28 to 42 of this circular;

(h) the written consent of Proton Capital referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(j) this circular.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Wuling Motors Holdings Limited (五菱汽車集團控股有限公司) (the "**Company**") will be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 23 January 2014 at 3:30 p.m. or immediately after the special general meeting of the Company to be held at 3:00 p.m. on the same day to consider and, if though fit, pass with or without amendments, the following resolutions as ordinary resolutions:

"**THAT**:

(a) the subscription agreement dated 27 November 2013 entered into between the Company and Wuling (Hong Kong) Holdings Limited (the "**Subscriber**") (a copy of which is produced to the SGM marked "A" and signed by the chairman of the SGM for identification purposes) in relation to the subscription of the convertible notes in an aggregate principal amount of HK$200,000,000 (the "**Convertible Notes**") to be issued by the Company and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;

(b) conditional upon the listing committee approving the listing of, and granting the permission to deal in, the Conversion Shares (as defined below), the directors of the Company (the "**Directors**") be and are hereby authorized to: (i) issue the Convertible Notes to the Subscriber; and (ii) allot and issue such ordinary shares of HK$0.004 each in the share capital of the Company which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Notes (the "**Conversion Shares**") on the terms and subject to the conditions of the Convertible Notes;

(c) the waiver granted or to be granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegates) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") in respect of the obligations of the Subscriber and parties acting in concert with it (including but not limited to Dragon Hill Development Limited and Mr. Wei Hongwen) to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it pursuant to Rule 26 of the Takeovers Code which would otherwise arise as a result of the allotment and issue of the Conversion Shares be and is hereby approved; and

(d) the Directors be and are hereby authorized to, for and on behalf of the Company, execute all such documents, instruments and agreements, and do all such acts or things, as they may consider necessary, desirable or expedient to give effect to the Subscription Agreement and the transactions contemplated thereunder."

By order of the Board
Wuling Motors Holdings Limited
Sun Shaoli
Chairman

3 January 2014

Registered office:	Unit 2403, 24/F
Canon's Court	Great Eagle Centre
22 Victoria Street	23 Harbour Road
Hamilton HM 12	Wanchai
Bermuda	Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting (or at any adjournment thereof) shall be entitled to appoint one or more proxies to attend and vote, on a poll, on his behalf. A proxy need not be a member of the Company.

2. A form of proxy for use in connection with the above meeting is enclosed and such form is also published on the website of the Stock Exchange (www.hkexnews.hk). To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be delivered to the Company's Hong Kong branch share registrar, Tricor Tengis limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the above meeting (or at any adjournment thereof). Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. Shareholders are advised to read the circular to the shareholders of the Company dated 3 January 2014 which contains information concerning the resolutions to be proposed in this notice.

4. All votes on the resolutions in this notice to be proposed at the meeting shall be conducted by way of poll.