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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	2013	2012	Change
	RMB'000	*RMB'000*	(%)
Revenue	**12,037,324**	11,856,125	+1.5%
Gross profit	**1,259,449**	1,234,857	+2.0%
Profit for the year	**106,034**	98,577	+7.6%
Profit attributable to the owners of the Company	**50,528**	40,214	+25.6%

RESULTS

The board of directors (the "Board") of Wuling Motors Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** *RMB'000*	2012 *RMB'000*
Revenue	4	**12,037,324**	11,856,125
Cost of sales		**(10,777,875)**	(10,621,268)
Gross profit		**1,259,449**	1,234,857
Other income	4	**44,681**	63,765
Other gains and losses	4	**(2,468)**	10,405
Selling and distribution costs		**(320,136)**	(353,229)
General and administrative expenses		**(763,218)**	(722,309)
Share of results of joint ventures		**418**	–
Finance costs	5	**(88,287)**	(89,806)
Profit before taxation		**130,439**	143,683
Income tax expense	6	**(24,405)**	(45,106)
Profit for the year	7	**106,034**	98,577
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operation		**2,355**	(307)
Exchange reserve released upon disposal of subsidiaries		**–**	(247)
Other comprehensive income (expense) for the year		**2,355**	(554)
Total comprehensive income for the year		**108,389**	98,023
Profit for the year attributable to:			
Owners of the Company		**50,528**	40,214
Non-controlling interests		**55,506**	58,363
		106,034	98,577
Total comprehensive income attributable to:			
Owners of the Company		**52,883**	39,660
Non-controlling interests		**55,506**	58,363
		108,389	98,023
Earnings per share	9		
Basic		**4.31 cents**	3.44 cents
Diluted		**3.74 cents**	2.84 cents
Dividends	8		
Interim dividend		**Nil**	Nil
Final dividend		**HK0.5 cent**	HK0.5 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,581,116**	1,294,854
Prepaid lease payments		**211,692**	189,918
Premium on prepaid lease payments		**922**	947
Investment properties		**7,130**	7,024
Intangible assets		**628**	628
Interests in joint ventures		**68,103**	–
Goodwill	*10*	**5,252**	5,252
Deposits paid for acquisition of land use rights		**–**	25,200
Deposits paid for acquisition of property, plant and equipment		**209,756**	247,172
Deposit paid for acquisition of an equity investment		**22,000**	–
		2,106,599	1,770,995
CURRENT ASSETS			
Inventories	*11*	**1,189,408**	710,516
Trade and other receivables	*12*	**5,868,265**	6,949,514
Prepaid lease payments		**4,731**	4,126
Tax recoverable		**1,166**	5,756
Pledged bank deposits		**723,349**	779,932
Bank balances and cash		**313,465**	483,161
		8,100,384	8,933,005
CURRENT LIABILITIES			
Trade and other payables	*14*	**7,031,265**	7,517,993
Amounts due to shareholders		**249,283**	170,962
Provision for warranty	*15*	**158,698**	146,501
Tax payable		**29,054**	9,828
Derivative financial instrument	*16*	**–**	7,534
Convertible loan notes	*16*	**83,228**	–
Bank and other borrowings — due within one year		**820,850**	953,328
		8,372,378	8,806,146
NET CURRENT (LIABILITIES) ASSETS		**(271,994)**	126,859
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,834,605**	1,897,854

	NOTES	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Amounts due to shareholders		**446,384**	526,323
Convertible loan notes	*16*	**–**	81,869
Bank borrowings — due after one year		**–**	1,054
Deferred income		**21,206**	–
Deferred tax liabilities		**16,376**	23,366
		483,966	632,612
		1,350,639	1,265,242
CAPITAL AND RESERVES			
Share capital	*17*	**4,529**	4,524
Reserves		**581,330**	533,673
Equity attributable to owners of the Company		**585,859**	538,197
Non-controlling interests		**764,780**	727,045
		1,350,639	1,265,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

Application of new and revised 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") for the first time in the current year:

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

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

HKFRS 10 "Consolidated 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 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 the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the 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.

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 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized
4 Effective for annual periods beginning on or after 1 July 2014, with limited exception
5 Effective for annual periods beginning on or after 1 January 2016

3. SEGMENT INFORMATION

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

During the current year, the two reportable segments, namely "Automotive components and accessories" and "Trading of raw materials, and provision of water and power supply" was grouped as one reportable segment named "Automotive components and other industrial services" as a result of the change of the structure of its internal organization. Accordingly, the segment information for the year ended 31 December 2012 was restated.

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

- Engines and related parts — Manufacture and sale of engines and related parts
- Automotive components and other industrial services — Manufacture and sale of automotive components and accessories, trading of raw materials (mainly metals and other consumables), and provision of water and power supply services
- Specialized vehicles — Manufacture and sale of specialized vehicles
- Others — Property investment, 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 other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
For the year ended 31 December 2013						
Revenue						
External sales	**3,366,625**	**6,657,943**	**2,012,641**	**115**	**–**	**12,037,324**
Inter-segment sales	**773,360**	**1,435**	**–**	**–**	**(774,795)**	**–**
Total	**4,139,985**	**6,659,378**	**2,012,641**	**115**	**(774,795)**	**12,037,324**
Segment profit (loss)	**125,363**	**74,353**	**40,712**	**(8,407)**		**232,021**
Bank interest income						**26,032**
Change in fair value of derivative financial instrument						**7,534**
Central administration costs						**(47,248)**
Loss on disposal of subsidiaries						**(31)**
Share of results of joint ventures						**418**
Finance costs						**(88,287)**
Profit before taxation						**130,439**
For the year ended 31 December 2012 (restated)						
Revenue						
External sales	3,429,764	6,729,514	1,696,641	206	–	11,856,125
Inter-segment sales	558,599	90,570	105,422	–	(754,591)	–
Total	3,988,363	6,820,084	1,802,063	206	(754,591)	11,856,125
Segment profit (loss)	112,692	96,133	50,814	(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

The accounting policies of the operating segments are the same as the Group's accounting policies. 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, share of results of joint ventures and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

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 other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
At 31 December 2013					
Assets					
Segment assets	**2,974,808**	**4,993,011**	**1,090,797**	**20,284**	**9,078,900**
Interests in joint ventures					**68,103**
Deposit paid for acquisition of an equity investment					**22,000**
Pledged bank deposits					**723,349**
Bank balances and cash					**313,465**
Tax recoverable					**1,166**
Consolidated assets					**10,206,983**
Liabilities					
Segment liabilities	**2,603,086**	**3,967,421**	**1,168,098**	**2,683**	**7,741,288**
Amounts due to shareholders					**695,667**
Convertible loan notes					**83,228**
Bank borrowings					**290,731**
Others					**45,430**
Consolidated liabilities					**8,856,344**
At 31 December 2012 (restated)					
Assets					
Segment assets	2,826,048	5,569,641	1,030,490	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	4,361,198	1,009,264	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

The assets of the Group are allocated based on the operations of the segments. However, interests in joint ventures, deposit paid for acquisition of an equity investment, pledged bank deposits, bank balances and cash and tax recoverable are not allocated to the segments.

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

Other segment information

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
For the year ended 31 December 2013					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	**111,290**	**401,289**	**41,280**	**5**	**553,864**
Depreciation of property, plant and equipment	**56,324**	**97,946**	**4,983**	**133**	**159,386**
Release of prepaid lease payments	**1,727**	**3,126**	**–**	**–**	**4,853**
Release of premium on prepaid lease payments	**–**	**25**	**–**	**–**	**25**
Loss (gain) on disposal of property, plant and equipment	**656**	**853**	**–**	**–**	**1,509**
Allowance for inventories	**6,445**	**6,100**	**–**	**–**	**12,545**
Impairment loss reversed in respect of trade receivables	**(2,068)**	**(63)**	**–**	**–**	**(2,131)**
Impairment losses recognized on trade receivables	**10,545**	**484**	**–**	**–**	**11,029**
Research and development expenses	**40,835**	**66,433**	**5,330**	**–**	**112,598**
Change on revaluation in fair value of investment properties	**–**	**–**	**–**	**343**	**343**

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
For the year ended 31 December 2012 (restated)					
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets	60,262	134,868	146,107	6,078	347,315
Depreciation of property, plant and equipment	44,434	71,337	5,628	127	121,526
Release of prepaid lease payments	1,596	2,473	–	–	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 losses 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 on revaluation in fair value of investment properties	–	–	–	1,534	1,534
Loss on disposal of available-for-sales investments	116	116	–	–	232

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.

	2013 ***RMB'000***	2012 *RMB'000*
The PRC (excluding Hong Kong)	**12,037,209**	11,855,919
Hong Kong	**115**	206
Consolidated	**12,037,324**	11,856,125

(b) *Non-current assets*

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

	2013	2012
	RMB'000	*RMB'000*
Hong Kong	**7,462**	7,024
Philippines	**628**	628
The PRC (excluding Hong Kong)	**2,098,509**	1,763,343
	2,106,599	1,770,995

Information about a major customer

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

	2013	2012
	RMB'000	*RMB'000*
		(restated)
Engines and related parts	**2,033,633**	2,308,199
Automotive components and other industrial services	**5,419,246**	5,750,350
Specialized vehicles	**21,796**	93,049
	7,474,675	8,151,598

4. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

	2013	2012
	RMB'000	*RMB'000*
Sales of:		
— Engines	**3,250,439**	3,344,467
— Engines related parts	**116,186**	85,297
— Automotive components and accessories	**5,743,543**	5,670,782
— Specialized vehicles	**2,012,641**	1,696,641
Trading of raw materials	**684,874**	823,616
Provision of water and power supply	**229,526**	235,116
	12,037,209	11,855,919
Gross property rental income from investment properties	**115**	206
	12,037,324	11,856,125

(b) Details of other income are as follows:

	2013	2012
	RMB'000	*RMB'000*
Sales of scrap materials and parts	**6,316**	30,013
Bank interest income	**26,032**	28,034
Service income on repairs and maintenance	**5,325**	1,396
Machinery and other property rental income	**921**	525
Amortization of deferred income	**794**	–
Trading of timber	**239**	–
Others	**5,054**	3,797
	44,681	63,765

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

	2013	2012
	RMB'000	*RMB'000*
Change in fair value of derivative financial instrument	**7,534**	11,309
Impairment loss reversed in respect of trade receivables	**2,131**	1,254
Gain on revaluation of investments properties	**343**	1,534
Foreign exchange gains, net	**93**	1,288
(Loss) gain on disposal of property, plant and equipment	**(1,509)**	24
(Loss) gain on disposal of subsidiaries	**(31)**	1,710
Impairment losses recognized on trade receivables	**(11,029)**	(6,483)
Loss on disposal of available-for-sale investments	**–**	(232)
Gain on change in fair value of held-for-trading investments	**–**	1
	(2,468)	10,405

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interests on:		
— amounts due to shareholders	**16,636**	4,517
— borrowings wholly repayable within five years	**24,475**	50,448
— borrowings not wholly repayable within five years	**36**	212
— advances drawn on bills receivables *(note)*	**38,231**	25,956
— obligations under finance leases	**–**	18
— convertible loan notes *(note 16)*	**8,909**	8,655
	88,287	89,806

Note: Included RMB10,347,000 finance cost paid to a shareholder (2012: nil) in respect of bills discounted to that shareholder.

6. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	**28,152**	35,961
Withholding tax on dividend distribution	**(6,079)**	5,808
Underprovision in prior years	**9,321**	1,723
	31,394	43,492
Deferred tax		
Current year	**1,050**	1,614
Effect of change in tax rate	**(8,039)**	–
	(6,989)	1,614
	24,405	45,106

The PRC

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

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 2012 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 2013 and 2012. The Catalogue setting out the qualifying industries has not been issued yet up to the end of the reporting period.

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 or loss for the current year.

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 year, 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, amounted to RMB8,039,000, was recognized in profit or loss in the current year. Other than this reversal, deferred tax of RMB2,227,000 (2012: RMB7,638,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss during the year.

Hong Kong

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

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

7. PROFIT FOR THE YEAR

	2013 *RMB'000*	2012 *RMB'000*
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**5,789**	8,789
Other staff costs:		
Salaries, bonus and other benefits	**729,365**	607,097
Retirement benefit scheme contributions, excluding directors	**53,364**	56,246
Equity settled share-based payments excluding directors	**–**	13,684
Total staff costs	**788,518**	685,816
Gross property rental income	**(274)**	(206)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**–**	1
Net rental income	**(274)**	(205)
Auditor's remuneration	**1,596**	1,630
Cost of inventories recognized as an expense (note)	**10,777,875**	10,621,268
Depreciation of property, plant and equipment	**159,386**	121,526
Release of prepaid lease payments (included in general and administrative expenses)	**4,853**	4,069
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)	**112,598**	115,741
Transportation costs (included in selling and distribution costs)	**171,104**	217,607

Note: Included in arriving at cost of inventories is an amount of RMB12,545,000 recognized as allowance for inventories (2012: a reversal of allowance for inventories of RMB5,196,000).

8. DIVIDEND

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2012 Final dividend of HK0.5 cent (2012: 2011 final dividend of HK0.5 cent) per share	**4,709**	4,771

Subsequent to the end of the reporting period, a final dividend of HK0.5 cent per share amounting to approximately HKD5,861,000 (or equivalent to RMB4,677,000) in respect of the year ended 31 December 2013 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit of the year attributable to owners of the Company)	**50,528**	40,214
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	**6,147**	8,233
Change in fair value of derivative financial instrument	**(7,534)**	(11,309)
Earnings for the purpose of diluted earnings per share	**49,141**	37,138
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,171,192**	1,170,605
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**136,986**	136,986
Share options	**6,244**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,314,422**	1,307,591

The computation of diluted earnings per share for the year ended 31 December 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 year.

10. GOODWILL

The entire goodwill is attributable to the acquisition of 75% equity interest in Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") during the year ended 31 December 2012, as a cash generating unit ("CGU").

During the year ended 31 December 2013, 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 amount of the above CGU and the 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% (2012: 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.

11. INVENTORIES

	2013 ***RMB'000***	2012 *RMB'000*
Raw materials	**292,573**	301,847
Work in progress	**65,195**	179,811
Finished goods	**831,640**	228,858
	1,189,408	710,516

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

(i) Trade and other receivables

	Notes	2013 RMB'000	2012 RMB'000
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**3,162,555**	3,959,753
— Liuzhou Wuling Group	*(b)*	**5,017**	25,062
— third parties		**1,540,870**	1,888,570
		4,708,442	5,873,385
Less: Allowance for doubtful debts		**(20,511)**	(11,631)
		4,687,931	5,861,754
Other receivables:			
Prepayments for expenses		**1,466**	106
Prepayments for purchase of raw materials	*(c)*	**497,604**	492,802
Value-added tax recoverable		**101,860**	106,192
Others		**43,809**	63,524
		644,739	662,624
Bills receivables discounted with recourse *(note 12(ii))*		**535,595**	425,136
Total trade and other receivables		**5,868,265**	6,949,514

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 was an amount of RMB115,233,000 (2012: RMB319,370,000) 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 RMB4,687,931,000 (2012: RMB5,861,754,000) 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:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**3,412,032**	4,088,087
91 to 180 days	**1,254,741**	1,715,720
181–365 days	**17,167**	50,616
Over 365 days	**3,991**	7,331
	4,687,931	5,861,754

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2012: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities.

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

	2013	2012
	RMB'000	*RMB'000*
0–90 days	**–**	32,100
91–180 days	**535,595**	393,036
	535,595	425,136

13. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2013 and 2012 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. These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse

	2013	2012
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**535,595**	425,136
Carrying amount of associated liabilities	**(530,119)**	(422,861)
Net position	**5,476**	2,275

14. TRADE AND OTHER PAYABLES

	Notes	2013 RMB'000	2012 RMB'000
Trade and bills payables:			
— SGMW		**97,140**	179,821
— Liuzhou Wuling Group		**28,495**	30,004
— Qingdao Dianshi		**18,631**	14,765
— third parties		**6,283,760**	6,828,597
	(i)	**6,428,026**	7,053,187
Consideration payable		**–**	3,450
Other payables and accruals	*(ii)*	**603,239**	461,356
Total trade and other payables		**7,031,265**	7,517,993

Notes:

(i) Included in trade and other payables are trade and bills payables of RMB6,428,026,000 (2012: RMB7,053,187,000) and an aged analysis based on the invoice date is presented as follows:

	2013 RMB'000	2012 RMB'000
0 to 90 days	**4,866,235**	4,872,527
91 to 180 days	**1,481,024**	1,998,820
181 to 365 days	**17,831**	155,726
Over 365 days	**62,936**	26,114
	6,428,026	7,053,187

(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 is set out below:

	2013 RMB'000	2012 RMB'000
HKD	**15,896**	3,340

15. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2012	**124,717**
Additional provision in the year	**83,701**
Utilization of provision	**(61,917)**
At 31 December 2012	**146,501**
Additional provision in the year	**60,667**
Utilization of provision	**(48,470)**
At 31 December 2013	**158,698**

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.

16. 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 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 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 contain two components, being a liability component and a conversion option derivative component. 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:

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**81,869**	78,524
Effective interest expense	**8,909**	8,655
Interest paid	**(4,788)**	(4,888)
Exchange difference	**(2,762)**	(422)
At 31 December	**83,228**	81,869
Analyzed as:		
Current	**83,228**	–
Non-current	**–**	81,869
	83,228	81,869

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

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**7,534**	18,843
Change in fair value during the year	**(7,534)**	(11,309)
At 31 December	**–**	7,534

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 derivative component

The conversion option component was measured at fair value using the Binomial Option Pricing Model by RHL Appraisal Limited and Ascent Partners Valuation Services Limited as of 31 December 2013 and 2012, respectively. The inputs into the model as at the respective dates are as follows:

	2013	2012
Share price	**HK$0.56**	HK$0.53
Conversion price	**HK$0.73**	HK$0.73
Expected dividend yield	**0.942%**	1.4151%
Volatility	**37.545%**	56.8138%

17. 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, 31 December 2012 and 31 December 2013		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
At 1 January 2012, 31 December 2012 and 1 January 2013	1,170,605,390	4,682
Exercise of share options *(note)*	1,560,000	6
At 31 December 2013	1,172,165,390	4,688

	2013	2012
	RMB'000	*RMB'000*
Shown in the consolidated financial statements at the end of the reporting period as	**4,529**	4,524

Note: During the year, 1,560,000 ordinary shares (2012: nil) of the Company of HK$0.004 each were issued upon the exercise of 1,560,000 share options with proceeds of HK$764,000 (equivalent to RMB602,000).

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

18. EVENT AFTER THE REPORTING DATE

On 28 January 2014, the Group issued convertible notes in an aggregate principal amount of HK$200,000,000 at par (equivalent to approximately RMB157,580,000) to Wuling HK ("CN 2017"). CN 2017 is denominated in HKD and carries interest at 4.25% per annum with maturity on 28 January 2017. CN 2017 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 28 January 2014 up to and including the date falling on the fifth business day prior to 28 January 2017 at a conversion price of HK$0.58 per ordinary share, subject to anti-dilutive adjustments. The directors of the Company are in the process of assessing the financial impact on the issuance of CN 2017. Details of this transaction are disclosed in an announcement issued by the Company on 28 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — By Key Business Segments

The business performance and evaluation of the Group's three main business segments namely (1) engines and parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the year 2013 are detailed below:

Engines and Parts

Turnover (based on external sales) of the engines and parts division for the year ended 31 December 2013 was RMB3,366,625,000, representing a slight decrease of 1.8% as compared to last year. Operating profits for the year was RMB125,363,000, registered an increase of 11.2% as compared to last year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year 2013 was approximately 610,000 units, representing a decrease of 6.2% as compared to last year. Revenue generated from sales of products other than engine sets increased to approximately RMB116,186,000, representing approximately 3.5% of the total revenue of this division.

During this year, sales to SGMW, our core customer, slightly reduced by 11.9% to approximately RMB2,033,633,000, but continued to account for the majority portion of the division's revenue. As reported earlier, gradual increases in the application of self-produced engines by SGMW in its operations resulted in a reduction in sales to SGMW. However, contribution from other customers' sales and additional revenue generated from the sales of the new products other than the engine sets had to certain extent compensated the reduction, such that total sales of this division was able to maintain at a similar level as compared to the corresponding in last year.

For further expansion and diversification of the Group's engines and parts businesses, Wuling Liuji has been actively pursuing projects for other automobile manufacturers over the years. Sales, primarily engine sets, to other customers increased by 2.3% to approximately RMB1,148,000,000 for the year 2013, representing approximately 34.1% of the total revenue of this division.

To expedite the expansion and diversification programme, subsequent to the acquisition of a majority stake in a company located in Jilin in 2012 for launching the businesses to the commercial mini-vehicles division of FAW Jilin, during the year, the Group is in the process to acquire a minority stake in a customer, through a technology transfer arrangement and established a joint venture company with an independent third party for the development of new models of engines. The Group expects the collaborations with these customers and business associates would further strengthen the relationship with them for promoting future business opportunities to the engines and parts division.

Meanwhile, sales of agricultural machinery products remained stable during the year.

Operating margin improved to 3.7% as compared to 3.3% for last year. During this year, operating margin performance continued to be adversely affected by the loss-making operation of the foundry facilities. However, since the commencement of the scale operations in 2013, the situation had been gradually improved and the Group is confident with the positive effects from the foundry will be gradually crystallized in the near future where the profitability of the division will benefit.

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

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

The Group remains optimistic on the business outlook for the years ahead and believes our product competitiveness in the market and the gradual positive impact from the vertical integration and other joint venture projects will be beneficial to the performance of the division as well as to place the Group in a better position in facing with the current keen competitive market situation.

Automotive Components and Other Industrial Services

Turnover (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2013 was RMB6,657,943,000, representing a slight decrease of 1.1% as compared to last year. Resulting from the increasing staff costs and depreciation expenses incurred for the relocation exercises of the facilities, operating profits of this division registered a decrease and amount to RMB74,353,000 for the year.

Following the integration exercise of the operation of Liuzhou Wuling Motors United Development Limited ("Wuling United"), into the principal joint venture, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), completed in this year, the operating segments of automotive components and accessories division and the trading and supply services division were combined together to become one segment namely, automotive components and other industrial services division so as to, appropriately and effectively reflect the decision making processes involved in the resource allocation among different operating segments as well as the assessment of their respective performance. The comparative figures for the year ended 31 December 2012 as shown in this section were the aggregate numbers of the automotive components and accessories division and the trading and supply services division.

The automotive components and other industrial services division continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. Total sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, amounted to approximately RMB5,419,246,000 and accounted for nearly 80% of the total turnover for this business division. Strong demands for and the increasing market share achieved by the key products of SGMW benefited the business performance of this division for this year. Besides, the satisfactory market performance of the passenger vehicles model — 寶駿630 of SGMW also contributed to the business performance and would provide another promising business potential to this division.

Meanwhile, sales to other customers comprising specific automotive components amounted to approximately RMB212,000,000, which maintained at a similar level as compared to last year.

During the year, operating margin continued to improve resulting from scale operations and the positive effects from the cost control and the integration exercises despite higher administrative costs incurred for various capacity expansion and upgrading projects.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group has been actively undertaken large scale capacity expansion and upgrading programmes which includes: (1) the expansion project for the Qingdao facilities with a target annual capacity of 600,000 units for key automotive components which has been fully completed in 2013; and (2) the new facilities in Hexi Industrial Park, Liuzhou, which has a site area of over 400,000 sqm., in which the first phase has started operational in late 2012. The Group considers these large scale expansion projects are critical to the continuous development of the Group considering the great business potential of the China automobile industry.

In addition, for better control of production quality and to expedite the business expansion programme in Qingdao, during the year, Wuling Industrial acquired a 51% stake in Qingdao Dianshi Motors Accessories Company Limited (青島點石汽車配件有限公司), a supplier of Wuling Industrial which engages in the manufacturing of automotive accessories. Meanwhile, Wuling Industrial also established a joint venture with Guangxi Liugong Machinery Stock Company Limited (廣西柳工機械股份有限公司) during the year, in pursuing and expanding the businesses in the engineering machinery components segment.

Besides actively upgrade its product standard and capability to cope with the needs of the customers, the Group has also implemented appropriate corporate restructure programmes so as to stay competitive in the industry. As mentioned above, during the year, the Group has completed the integration exercise of the operation of this division, which was previously undertaken by the subsidiary Wuling United into Wuling Industrial. This exercise, which will eventually lead to the dissolution of Wuling United, will be beneficial to the division and the Group in term of cost saving and efficiency enhancement.

The automotive components and accessories division of the Group currently operates the largest manufacturing base of automotive components in the south-western part of China and is highly recognized for its comprehensive strength of competitiveness. Its specialized facilities cover the products range of the brake, the chassis assembly, automotive accessories, plastic components, welding parts and the seat sets. Main facilities are located in Liuzhou and Qingdao which ensure closer proximity to the customer's needs in both the northern and southern part of China. Maximum capacity for key components, for both Liuzhou and Qingdao, at present can reach 1,800,000 units/sets a year.

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

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

Specialized Vehicles

Turnover (based on external sales) of the specialized vehicles division for the year ended 31 December 2013 was RMB2,012,641,000, representing an increase of 18.6% as compared to last year. Operating profits for the year was RMB40,712,000. The specialized vehicles division was able to maintain the momentum of growth since last year through the launch of new models serving the needs of the market. However, increasing costs of research and development and expenses incurred for the launches of new products limited the profitability performance of this division.

During this year, the Group sold approximately 47,000 specialized vehicles, representing an increase of 17.5% as compared to last year. Its main products comprised various types of mini-school buses, mini-buses, multi-purpose mini-vans, redecorated vans and mini-container wagons, etc. The specialized vehicles division also continued to actively promote new models to expand its product range and business volume. Amongst them, the most remarkable are the sight-seeing cars and mini-school buses, which have both successfully achieved respective prominent market share in their particular market segment at present.

Operating margin reduced to 2.0% for the year. High portion of low margin products, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, high level of research and development and warranty expenses for the launches of new products also limited the profitability performance of this division. To enhance the profitability of this division, strategically, the Group has planned to reduce the production of the lower margin redecorated vans and mini-container wagons products so as to reserve more capacity to other more profitable models, such as the sight-seeing cars and mini school buses as abovementioned expects the business development costs incurred for these new models will benefit the profitability performance.

Meanwhile, the specialized vehicles division is also undertaking certain integration programmes similar to the automotive components and accessories division aiming at a better control over the production and marketing which helps to promote cost effectiveness and production efficiency. To facilitate this integration program, our principal subsidiary, Wuling Industrial, acquired an additional 2% equity interest in Liuzhou Wuling Specialized Vehicle Manufacturing Company Limited from Liuzhou Wuling in January 2013 at a consideration of RMB1,792,000 from which Liuzhou Wuling Specialized Vehicle Manufacturing Company Limited became a wholly-owned subsidiary of Wuling Industrial. Together with the undertaking of the essential research and development projects as well as the marketing programmes for new product, with specific focus on the new energy vehicles, the Group believes the division is better positioned in entering into the breakthrough stage for improving the profitability of the division.

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

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

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

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment. With the benefits of an effective cost control programs in production and management, the Group will take this chance to continuously consolidate its existing business and at the same time explore opportunities both locally and overseas so as to fostering a breakthrough business performance to this division.

Financial Review

Statement of Profit or Loss and Other Comprehensive Income

Group's turnover for the year ended 31 December 2013 was RMB12,037,324,000, representing a slight increase of 1.5% as compared to last year, which was mainly attributable to the continuous growth of business volume for our key customer and was in line with the continuous growth of the automobile industry in China during the year.

Gross profit for the year was RMB1,259,449,000, representing an increase of 2.0% as compared to last year. Increases in revenue and the gradual improvement in the scale operations of the automotive components and specialized vehicles divisions benefited the margin performance, in spite of the adverse effects from an increase in the operating cost incurred for various capacity expansion and upgrading projects and the continuous operating losses incurred by the foundry facilities of the engines and parts division during the year.

Gross margin of the Group maintained at 10.5% during the year as compared to 10.4% recorded in last year. Notwithstanding, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Benefited from the reversal of a withholding tax as explained below and a reduction in the finance cost, net profit of the Group for the year was RMB106,034,000, representing an increase of 7.6% as compared to last year. However, increases in the general and administrative expenses, primarily attributable to the increases in staff and administrative costs incurred for the operation of the new facilities during the year impeded a more remarkable performance in profitability. Profits attributable to the owners of the Company was RMB50,528,000, representing an increase of 25.6%. The increase was primarily attributable to the reversal and refund of a withholding tax of approximately RMB15,000,000 which was previously provided by the Company. The reversal was made pursuant to a notice issued by the relevant tax authority in July 2013 which confirmed that the profits generated from our principal subsidiary, Wuling Industrial entitled by the Group was allowed to be taxed according to a lower withholding tax rate with effect from October 2009.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB44,681,000 for the year ended 31 December 2013, representing a decrease of 29.9% as compared to last year primarily as a result of a substantial decrease in the sales of scrap materials collected from SGMW during the year.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB320,136,000 for the year ended 31 December 2013, representing a decrease of 9.2% as compared to last year. The decrease was primarily due to a reduction in transportation costs for the year.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB763,218,000 for the year ended 31 December 2013, representing an increase of 5.7% as compared to last year. The increase was mainly attributable to the increases in staff and administrative costs incurred for the operation of the new facilities during the year.

Research and development expenses for the year ended 31 December 2013 amounted to RMB112,598,000 which maintained at a similar level as compared to last year. The Group will continue to prudently carry out research and development projects in accordance with the strategic plan in furthering its future business opportunities.

Finance costs for the year ended 31 December 2013 amounted to RMB88,287,000, representing a decrease of 1.7% as compared to last year. The balances had included the finance cost of RMB8,909,000 incurred for the convertible loan notes issued by the Company and the other interest expenses payable to Wuling Motors (Hong Kong) Holdings Limited, ("Wuling HK") and Liuzhou Wuling amounting to RMB26,983,000 in total. To reduce bank borrowings and to contain finance costs of the Group, Wuling HK and Liuzhou Wuling had provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market during the year. These financing arrangements resulted in lower interest rates and reduced bank loan balances of the Group had helped to ease the finance costs during the year.

Basic earnings per share for the year ended 31 December 2013 was RMB4.31 cents, representing an increase of 25.3% as compared to last year, whereas, earnings per share on fully diluted basis was RMB3.74 cents, representing an increase of 31.7%, in which the effect arising from the fair value adjustment on the convertible loan notes issued by the Company was excluded in the calculation.

Financial Position

As at 31 December 2013, total assets and total liabilities of the Group stood at RMB10,206,983,000 and RMB8,856,344,000 respectively.

Non-current assets amounted to RMB2,106,599,000 comprised mainly property, plant and equipment, prepaid lease payments, deposits paid for acquisition of non-current assets and goodwill on acquisition of subsidiaries, etc.

Current assets amounted to RMB8,100,384,000 comprised mainly inventories of RMB1,189,408,000, trade and other receivables and bill receivables discounted with recourse of RMB5,868,265,000, cash and cash equivalents (inclusive of pledged bank deposits) of RMB1,036,814,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,162,555,000 was recorded as trade and other receivables in the statement of financial position. These receivables balances were subject to normal commercial settlement terms. Total cash and bank balances amounted to RMB1,036,814,000, in which RMB723,349,000 were pledged bank deposits to secure the banking facilities offered to the Group. Overall, the Group had cash (inclusive of pledged bank deposits) net of bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) amounting to RMB215,964,000 as at 31 December 2013.

Current liabilities amounted to RMB8,372,378,000, comprised mainly trade and other payables and advances drawn on bill receivables discounted with recourse of RMB7,031,265,000, amount due to shareholders of RMB249,283,000, provision for warranty of RMB158,698,000, tax payable of RMB29,054,000, bank borrowings — due within one year (inclusive of advances drawn on bills receivable discounted with recourse) of

RMB820,850,000 and the liability component of the convertible loan notes due to Wuling HK, our controlling shareholder, of RMB83,228,000. Amount due to shareholders recorded under current liabilities refers to the account payable to Liuzhou Wuling, the ultimate controlling shareholder of the Company and the joint venture partner of Wuling Industrial, and an advance of RMB79,985,000 from Wuling HK.

The Group recorded net current liabilities of RMB271,994,000 as at 31 December 2013 as compared to the net current assets of RMB126,859,000 as at 31 December 2012, resulting primarily from the reclassification of the aforementioned existing convertible loan notes and the advance from Wuling HK which were fully repaid by the issue of the new convertible loan notes by the Company on 28 January 2014 as described below.

Non-current liabilities amounted to RMB483,966,000 comprised mainly amounts due to Liuzhou Wuling of RMB446,384,000 and deferred tax liability of RMB16,376,000.

Subsequent to the year end, on 28 January 2014, the Company issued new convertible notes with an aggregate principal amount of HK$200,000,000 equivalent to approximately RMB157,580,000 to Wuling HK for the repayment of the aforementioned existing convertible loan notes and the advance from Wuling HK which were both repayable in 2014. The new convertible notes are denominated in HKD and have a nominal interest rate of 4.25% per annum. The conversion price of the new convertible notes is HK$0.58 per ordinary share and the maturity date is due on 28 January 2017. The new convertible notes entitle the holder to convert, in whole or in part, the principal amount into ordinary shares of the Company on any business days commencing from 28 January 2014 upto the fifth business days prior to the maturity date.

DIVIDEND

The Board recommend the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year ended 31 December 2013 (the "Final Dividend") to shareholders whose names appear on the register of members of the Company on Tuesday, 10 June 2014. (2012: 0.5 HK cent). Subject to the approval by the shareholders of the Final Dividend at the forthcoming annual general meeting of the Company to be held on Friday, 30 May 2014 (the "2014 AGM"), dividend warrants will be dispatched to shareholders on or about 23 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 May 2014 to Friday, 30 May 2014, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for attendance of the 2014 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), not later than 4:30 p.m. on Monday, 26 May 2014. The time and venue of the 2014 AGM will be advised in due course.

The register of members of the Company will be closed from Friday, 6 June 2014 to Tuesday, 10 June 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (to be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014), not later than 4:30 p.m. on Thursday, 5 June 2014.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year (2012: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. The Company has applied the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange sets out the principles of good corporate governance and the code provisions as set out in the CG Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Company for the year ended 31 December 2013 before such documents were tabled for the Board's review and approval, discussed auditing, internal control and financial reporting matters and reviewed the audited financial statements for the year ended 31 December 2013 of the Group and is of the opinion that such documents complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL REPORT

The annual report for the year ended 31 December 2013 containing all information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the Company at www.wuling.com.hk in due course.

BOARD OF DIRECTORS

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

On behalf of the Board
Sun Shaoli
Chairman

Hong Kong, 25 March 2014