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 2014

FINANCIAL HIGHLIGHTS

	2014	2013	Change
	RMB'000	*RMB'000*	*(%)*
Revenue	**12,138,662**	12,037,324	0.8%
Gross profit	**1,373,721**	1,259,449	9.1%
Profit for the year	**108,417**	106,034	2.2%
Profit attributable to the owners of the Company	**49,443**	50,528	-2.1%

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 2014 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 2014

	NOTES	**2014** **RMB'000**	2013 *RMB'000*
Revenue	*4&5*	**12,138,662**	12,037,324
Cost of sales		**(10,764,941)**	(10,777,875)
Gross profit		**1,373,721**	1,259,449
Other income	*5*	**51,702**	44,681
Other gains and losses	*5*	**(46,212)**	(2,468)
Selling and distribution costs		**(323,761)**	(320,136)
General and administrative expenses		**(831,072)**	(763,218)
Share of results of joint ventures		**(1,591)**	418
Finance costs	*6*	**(80,417)**	(88,287)
Profit before taxation		**142,370**	130,439
Income tax expense	*7*	**(33,953)**	(24,405)
Profit for the year	*8*	**108,417**	106,034
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operation		**2,753**	2,355
Total comprehensive income for the year		**111,170**	108,389
Profit for the year attributable to:			
Owners of the Company		**49,443**	50,528
Non-controlling interests		**58,974**	55,506
		108,417	106,034
Total comprehensive income attributable to:			
Owners of the Company		**52,196**	52,883
Non-controlling interests		**58,974**	55,506
		111,170	108,389
Earnings per share	*10*		
Basic		**RMB3.57 cents**	RMB4.31 cents
Diluted		**RMB3.56 cents**	RMB3.74 cents
Dividends	*9*		
Interim dividend		**Nil**	Nil
Final dividend		**HKD0.5 cent**	HKD0.5 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,857,279**	1,581,116
Prepaid lease payments		**220,512**	211,692
Premium on prepaid lease payments		**897**	922
Investment properties		**7,936**	7,130
Intangible assets		**628**	628
Interests in joint ventures		**80,138**	68,103
Goodwill	*11*	**–**	5,252
Deposits paid for acquisition of land use rights		**7,010**	–
Deposits paid for acquisition of property, plant and equipment		**291,647**	209,756
Available-for-sale investment	*12*	**22,000**	–
Deposit paid for acquisition of an equity investment	*12*	**–**	22,000
		2,488,047	2,106,599
CURRENT ASSETS			
Inventories	*13*	**1,449,146**	1,189,408
Trade and other receivables	*14*	**5,023,153**	5,868,265
Prepaid lease payments		**4,956**	4,731
Tax recoverable		**–**	1,166
Pledged bank deposits		**647,524**	723,349
Bank balances and cash		**201,752**	313,465
		7,326,531	8,100,384
CURRENT LIABILITIES			
Trade and other payables	*16*	**7,246,366**	7,031,265
Amounts due to shareholders		**–**	249,283
Amount due to a related party		**3,235**	–
Provision for warranty	*17*	**164,179**	158,698
Tax payable		**27,557**	29,054
Convertible loan notes	*18*	**–**	83,228
Bank and other borrowings		**533,264**	820,850
		7,974,601	8,372,378
NET CURRENT LIABILITIES		**(648,070)**	(271,994)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,839,977**	1,834,605

	NOTES	**2014** *RMB'000*	2013 *RMB'000*
NON-CURRENT LIABILITIES			
Amounts due to shareholders		**191,314**	446,384
Deferred income	*12*	**19,739**	21,206
Deferred tax liabilities		**15,732**	16,376
		226,785	483,966
		1,613,192	1,350,639
CAPITAL AND RESERVES			
Share capital	*19*	**5,627**	4,529
Reserves		**788,711**	581,330
Equity attributable to owners of the Company		**794,338**	585,859
Non-controlling interests		**818,854**	764,780
		1,613,192	1,350,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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"). During the year, Wuling (Hong Kong) Holdings Limited ("Wuling HK") has converted all CN 2017 (as defined in note 18) which has increased its shareholding of the issued share capital of the Company to approximately 51.3%. Since then, Wuling HK and Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling") has become the immediate holding and ultimate holding company of the Company, respectively.

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

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceed its current assets by approximately RMB648 million (2013: approximately RMB272 million) as at 31 December 2014. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the available bank borrowing facilities of approximately RMB93 million, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

In addition, Liuzhou Wuling has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as and when they fall due in the foreseeable future.

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

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

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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

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.

New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- 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.

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future do not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

4. SEGMENT INFORMATION

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

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

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

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 2014						
Revenue						
External sales	**2,666,249**	**7,418,056**	**2,054,239**	**118**	**–**	**12,138,662**
Inter-segment sales	**760,815**	**3,527**	**–**	**–**	**(764,342)**	**–**
Total	**3,427,064**	**7,421,583**	**2,054,239**	**118**	**(764,342)**	**12,138,662**
Segment profit (loss)	**122,164**	**109,613**	**49,233**	**(13,219)**		**267,791**
Bank interest income						**26,047**
Change in fair value of derivative financial instrument						**(1,282)**
Impairment loss on goodwill						**(5,252)**
Impairment loss on interest in a joint venture						**(8,224)**
Impairment loss on prepaid lease payments						**(11,450)**
Central administrative costs						**(43,252)**
Share of results of joint ventures						**(1,591)**
Finance costs						**(80,417)**
Profit before taxation						**142,370**
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 administrative 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

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, impairment loss on goodwill, impairment loss on interest in a joint venture, impairment loss on prepaid lease payments, 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	Automotive components and other industrial services	Specialized vehicles	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014					
Assets					
Segment assets	**2,931,721**	**4,678,604**	**1,227,495**	**25,344**	**8,863,164**
Interests in joint ventures					**80,138**
Available-for-sale investment					**22,000**
Pledged bank deposits					**647,524**
Bank balances and cash					**201,752**
Consolidated assets					**9,814,578**
Liabilities					
Segment liabilities	**2,702,945**	**3,740,481**	**1,206,656**	**18,436**	**7,668,518**
Amounts due to shareholders					**191,314**
Amount due to a related party					**3,235**
Bank borrowings					**295,030**
Others					**43,289**
Consolidated liabilities					**8,201,386**

	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

The assets of the Group are allocated based on the operations of the segments. However, interests in joint ventures, available-for-sale investment, 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, amount due to a related party, 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 2014					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	**156,235**	**351,359**	**84,790**	**9**	**592,393**
Depreciation of property, plant and equipment	**63,203**	**103,591**	**6,745**	**107**	**173,646**
Release of prepaid lease payments	**885**	**3,820**	**–**	**–**	**4,705**
Release of premium on prepaid lease payments	**–**	**25**	**–**	**–**	**25**
(Gain) loss on disposal of property, plant and equipment	**(45)**	**10,739**	**–**	**(7)**	**10,687**
Reversal of allowance for inventories	**(3,566)**	**(8,710)**	**–**	**–**	**(12,276)**
Impairment loss reversed in respect of trade receivables	**–**	**(71)**	**–**	**–**	**(71)**
Impairment losses recognized on trade receivables	**10,149**	**30**	**–**	**–**	**10,179**
Research and development expenses	**23,136**	**142,041**	**32,432**	**–**	**197,609**
Change on revaluation in fair value of investment properties	**–**	**–**	**–**	**(837)**	**(837)**
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 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)

In addition to the depreciation and amortisation reported above, impairment losses of RMB11,450,000 (2013: nil), RMB8,224,000 (2013: nil) and RMB5,252,000 (2013: nil) were recognised in respect of prepaid lease payment, interest in a joint venture and goodwill respectively. These impairment losses were attributable to the following reportable segments:

	RMB'000
Impairment losses recognised for the year in respect of prepaid lease payment:	
Engine and related parts	11,450
Impairment losses recognised for the year in respect of interest in a joint venture:	
Specialised vehicles	8,224
Impairment losses recognised for the year in respect of goodwill:	
Engine and related parts	5,252

Geographical information

(a) Revenue from external customers

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

	2014	2013
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**12,138,544**	12,037,209
Hong Kong	**118**	115
Consolidated	**12,138,662**	12,037,324

(b) Non-current assets

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

	2014	2013
	RMB'000	*RMB'000*
Hong Kong	**8,161**	7,462
Philippines	**628**	628
The PRC (excluding Hong Kong)	**2,479,258**	2,098,509
	2,488,047	2,106,599

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:

	2014 *RMB'000*	2013 *RMB'000*
Engines and related parts	**1,789,259**	2,033,633
Automotive components and other industrial services	**6,000,569**	5,419,246
Specialized vehicles	**2,189**	21,796
	7,792,017	7,474,675

5. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

	2014 *RMB'000*	2013 *RMB'000*
Sales of:		
— Engines	**2,588,829**	3,250,439
— Engines related parts	**77,420**	116,186
— Automotive components and accessories	**6,456,769**	5,743,543
— Specialized vehicles	**2,054,239**	2,012,641
Trading of raw materials	**734,115**	684,874
Provision of water and power supply	**227,172**	229,526
	12,138,544	12,037,209
Gross property rental income from investment properties	**118**	115
	12,138,662	12,037,324

(b) Details of other income are as follows:

	2014 *RMB'000*	2013 *RMB'000*
Sales of scrap materials and parts	**778**	6,316
Bank interest income	**26,047**	26,032
Service income on repairs and maintenance	**6,667**	5,325
Machinery and other property rental income	**1,690**	921
Amortisation of deferred income	**1,467**	794
Trading of timber	**421**	239
Government grants	**8,429**	2,894
Gain on sale of an internally developed intellectual property	**2,906**	–
Others	**3,297**	2,160
	51,702	44,681

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

	2014	2013
	RMB'000	*RMB'000*
Change in fair value of derivative financial instrument	**(1,282)**	7,534
Impairment loss reversed in respect of trade receivables	**71**	2,131
Impairment loss on interest in a joint venture	**(8,224)**	–
Gain on revaluation of investments properties	**837**	343
Foreign exchange (losses) gains, net	**(46)**	93
Loss on disposal of property, plant and equipment	**(10,687)**	(1,509)
Loss on disposal of subsidiaries	**–**	(31)
Impairment loss recognized on trade receivables	**(10,179)**	(11,029)
Impairment loss on goodwill *(note 11)*	**(5,252)**	–
Impairment loss on prepaid lease payments	**(11,450)**	–
	(46,212)	(2,468)

6. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interests on:		
— amount due to a related party	**269**	–
— amounts due to shareholders	**2,349**	16,636
— borrowings wholly repayable within five years	**16,015**	24,475
— borrowings not wholly repayable within five years	**33**	36
— advances drawn on bills receivables *(note)*	**57,248**	38,231
— convertible loan notes *(note 18)*	**4,503**	8,909
	80,417	88,287

note: During the year ended 31 December 2014, interest of RMB28,681,000 (2013: RMB10,347,000) was paid to a shareholder in respect of bills discounted to that shareholder.

7. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	**29,584**	28,152
Withholding tax on dividend distribution	**874**	(6,079)
Underprovision in prior years	**4,139**	9,321
	34,597	31,394
Deferred tax		
Current year	**(644)**	1,050
Effect of change in tax rate	**–**	(8,039)
	(644)	(6,989)
	33,953	24,405

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, 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 2014. The Catalogue setting out the qualifying industries has not been issued yet up to the end of the reporting 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. In prior years, 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 during the year ended 31 December 2013.

During the year, deferred tax of RMB3,381,000 (2013: RMB2,227,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss accordingly, 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.

8. PROFIT FOR THE YEAR

	2014	2013
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**6,066**	5,789
Other staff costs:		
Salaries, bonus and other benefits	**698,975**	729,365
Retirement benefit scheme contributions, excluding directors	**61,059**	53,364
Total staff costs	**766,100**	788,518
Gross property rental income from investment property	**(118)**	(115)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**–**	1
Net rental income	**(118)**	(114)
Auditor's remuneration	**1,570**	1,596
Cost of inventories recognized as an expense *(note)*	**10,764,941**	10,777,875
Depreciation of property, plant and equipment	**173,646**	159,386
Release of prepaid lease payments (included in general and administrative expenses)	**4,705**	4,853
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)	**197,609**	112,598
Transportation costs (included in selling and distribution costs)	**191,619**	171,104

note: Included in arriving at cost of inventories is an amount of RMB12,276,000 recognized as reversal of allowance for inventories (2013: an allowance for inventories of RMB12,545,000).

9. DIVIDEND

	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 Final dividend of HKD0.5 cent (2013: 2012 final dividend of HKD0.5 cent) per share	**6,004**	4,709

Subsequent to the end of the reporting period, a final dividend of HKD0.5 cent per share amounting to approximately HKD7,590,000 (or equivalent to RMB5,958,000) in respect of the year ended 31 December 2014 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit of the year attributable to owners of the Company)	**49,443**	50,528
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	**–**	6,147
Change in fair value of derivative financial instrument	**–**	(7,534)
Earnings for the purpose of diluted earnings per share	**49,443**	49,141
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,384,319**	1,171,192
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**–**	136,986
Share options	**5,612**	6,244
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,389,931**	1,314,422

No adjustment for convertible loan notes was made in calculating diluted earnings per share for the year ended 31 December 2014 as the conversion of convertible loan notes would result in increase in earnings per share.

11. GOODWILL

The entire goodwill as at 31 December 2013 was attributable to the acquisition of 75% equity interest in Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") in prior years as a cash generating unit ("CGU").

During the year ended 31 December 2014, management of the Group determines that the entire goodwill of the Group to this CGU to be fully impaired as Jilin Chuofeng has cased its operations in June 2014 and is pending for deregistration.

12. DEFERRED INCOME/DEPOSITS PAID FOR ACQUISITION OF AN EQUITY INVESTMENT/ AVAILABLE-FOR-SALE INVESTMENT

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

During the year ended 31 December 2014, the Group has obtained the ownership of 1.83% equity interest in New Long Ma and is classified as available-for-sale investment. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

13. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**414,886**	292,573
Work in progress	**84,831**	65,195
Finished goods	**949,429**	831,640
	1,449,146	1,189,408

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

(i) Trade and other receivables

		2014	2013
	Notes	*RMB'000*	*RMB'000*
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**3,266,927**	3,162,555
— Liuzhou Wuling Group	*(b)*	**4,281**	5,017
— Guangxi Weixiang	*(b)*	**8,053**	–
— third parties		**1,147,301**	1,540,870
		4,426,562	4,708,442
Less: Allowance for doubtful debts		**(30,611)**	(20,511)
		4,395,951	4,687,931
Other receivables:			
Prepayments for expenses		**2,324**	1,466
Prepayments for purchase of raw materials	*(c)*	**287,967**	497,604
Value-added tax recoverable		**47,057**	101,860
Others		**50,954**	43,809
		388,302	644,739
Bills receivables discounted with recourse *(note 14(ii))*		**238,900**	535,595
Total trade and other receivables		**5,023,153**	5,868,265

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 RMB68,853,000 (2013: RMB115,233,000) 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 RMB4,395,951,000 (2013: RMB4,687,931,000) 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:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**3,062,387**	3,412,032
91 to 180 days	**1,295,407**	1,254,741
181–365 days	**20,403**	17,167
Over 365 days	**17,754**	3,991
	4,395,951	4,687,931

(ii) Bills receivables discounted with full recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2013: 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:

	2014	2013
	RMB'000	*RMB'000*
91–180 days	**238,900**	535,595

15. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2014 and 2013 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

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of transferred assets	**238,900**	535,595
Carrying amount of associated liabilities	**(238,234)**	(530,119)
Net position	**666**	5,476

16. TRADE AND OTHER PAYABLES

		2014	2013
	Notes	***RMB'000***	*RMB'000*
Trade and bills payables:			
— SGMW		**43,110**	97,140
— Liuzhou Wuling Group		**51,729**	28,495
— Qingdao Dianshi		**2,279**	18,631
— third parties		**6,237,665**	6,283,760
	(i)	**6,334,783**	6,428,026
Other payables and accruals	*(ii)*	**911,583**	603,239
Total trade and other payables		**7,246,366**	7,031,265

Notes:

(i) Included in trade and other payables are trade and bills payables of RMB6,334,783,000 (2013: RMB6,428,026,000) and an aged analysis based on the invoice date is presented as follows:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**4,605,521**	4,866,235
91 to 180 days	**1,655,607**	1,481,024
181 to 365 days	**34,443**	17,831
Over 365 days	**39,212**	62,936
	6,334,783	6,428,026

(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.

17. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2013	146,501
Additional provision in the year	60,667
Utilization of provision	(48,470)
At 31 December 2013	158,698
Additional provision in the year	44,031
Utilization of provision	(38,550)
At 31 December 2014	**164,179**

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.

18. CONVERTIBLE LOAN NOTES

(a) CN 2014

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. 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 HKD0.74 per share to HKD0.73 per share with effect from 12 March 2010.

CN 2014 contains 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.

CN2014 has been redeemed at par after the maturity date on 28 January 2014, as the repayment of the outstanding principal was mutually agreed to be postponed.

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**83,228**	81,869
Effective interest expense	**499**	8,909
Interest paid	**(4,958)**	(4,788)
Repayment of principal	**(79,159)**	–
Exchange difference	**390**	(2,762)
At 31 December	**–**	83,228

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

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**–**	7,534
Change in fair value during the year	**–**	(7,534)
At 31 December	**–**	–

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 ("RHL"), an independent professional qualified valuers not connected with the Group as of 31 December 2013. The inputs into the model as at 31 December 2013 were as follows:

	2013
Share price	HKD0.56
Conversion price	HKD0.73
Expected dividend yield	0.942%
Volatility	37.545%

(b) CN 2017

On 28 January 2014, the Company issued convertible loan notes with an aggregate principal sum of HKD200,000,000 at par (equivalent to approximately RMB157,200,000) 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 day commencing from 28 January 2014 upto the fifth business days prior to the maturity date, at a conversion price of HKD0.58 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2017 will be redeemed on the maturity date at par.

The principal sum of CN 2017 was settled by setting off against the principal amount of HKD100,000,000 of CN 2014, as defined in note 18(a) and amount due to a shareholder of HKD100,000,000.

The fair values of the liability component and conversion option derivative component at initial recognition of HKD175,737,000 (approximately RMB138,129,000) and HKD51,573,000 (approximately RMB40,689,000) respectively are determined based on a valuation provided by RHL. Subsequent to initial recognition, the liability component is carried at amortized cost using the effective interest method at an interest rate of 9.22% per annum.

During the year, the entire amount of CN 2017 was converted into 344,827,586 ordinary shares of the Company at the conversion price of HKD0.58 per share.

The movement of the liability and conversion option derivative components of CN 2017 during the year is as follows:

	Liability component *RMB'000*	**Conversion option derivative component** *RMB'000*
At date of issue	138,129	19,071
Effective interest expense	4,004	–
Change in fair value during the year	–	1,282
Interest paid	(2,225)	–
Conversion during the year	(141,337)	(20,553)
Exchange difference	1,429	200
At 31 December 2014	–	–

The methods and assumptions applied for the valuation of CN 2017 are as follows:

(i) *Valuation of liability component*

The fair value of the liability component on initial recognition was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield of 9.05%, 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 derivative component was measured at fair value using the Binomial Option Pricing Model by RHL on initial recognition and at the date of conversion. The inputs into the model as at the respective dates are as follows:

	At date of conversion	**At date of issue**
Share price	HKD0.44	HKD0.49
Conversion price	HKD0.58	HKD0.58
Expected dividend yield	0.959%	0.942%
Volatility	35.40%	39.92%

19. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Authorized:		
Ordinary shares of HKD0.004 each	25,000,000,000	100,000
Convertible preference shares of HKD0.001 each	1,521,400,000	1,521
Balance at 1 January 2013, 31 December 2013 and 31 December 2014		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2013	1,170,605,390	4,683
Exercise of share options *(note)*	1,560,000	6
At 31 December 2013	1,172,165,390	4,689
Exercise of share options *(note)*	1,000,000	4
Conversion of convertible loan notes	344,827,586	1,379
At 31 December 2014	1,517,992,976	6,072

	2014	2013
	RMB'000	*RMB'000*
Shown in the consolidated financial statements at the end of the reporting period as	**5,627**	4,529

Note: During the year, 1,000,000 (2013: 1,560,000) ordinary shares of the Company of HKD0.004 each were issued upon the exercise of 1,000,000 (2013: 1,560,000) share options with proceeds of HKD490,000 (equivalent to RMB397,000) (2013: HKD764,000 (equivalent to RMB602,000)).

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

20. EVENT AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to 31 December 2014:

(a) On 21 January 2015, the Company granted 13,800,000 share options under the Company's share option scheme at an exercise price of HKD0.56 per share to certain employees of the Group.

(b) On 11 February 2015, Chongqing Zhaotong, entered into the land use rights transfer contract with Chongqing Municipal Administration Bureau of Land Resources and Housing to acquire the land use rights of a land in Chongqing at a consideration of RMB35,040,000.

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 2014 are detailed below:

Engines and Parts

Turnover (based on external sales) of the engines and parts division for the year ended 31 December 2014 was RMB2,666,249,000, representing a decrease of 20.8% as compared to previous year. Operating profits for the year was RMB122,164,000, representing a slight decrease of 2.6% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year 2014 was approximately 490,000 units, representing a decrease of 19.7% as compared to previous year.

During this year, sales to SAIC-GM-Wuling Automobile Co., Limited ("SGMW"), our main customer, was reduced by 12% to approximately RMB1,789,259,000, 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. Such reduction was partly compensated by the contribution from other customers' sales and additional revenue generated from the sales of the new products other than the engine sets.

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 amounted to approximately RMB876,990,000 for the year 2014, representing approximately 32.9% of the total revenue of this division.

Operating margin improved to 4.6% as compared to 3.7% for previous year. During this year, gradual improvement of the operations of the foundry facilities to become profitable since the commencement of scale operation in 2014 benefited the margin performance of the division despite the tough business environment with declining orders for the engine sets. Besides, launch of new models with higher selling prices and profit margin also resulted in an improvement in profitability of the division.

For further integration of operations within the division, during the year, Wuling Liuji decided to terminate the operation of the non-wholly owned subsidiary in Jilin. Owing to this, impairment of losses of approximately RMB16,702,000 were made on goodwill and certain fixed assets. It is expected that cessation of the operation of this non-wholly owned subsidiary will not have any material impact to the operations of the engines and parts division as the potential orders will be taken up by other subsidiaries within this division.

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

The engines currently produced by Wuling Liuji are mainly for the economical-typed mini-vehicles which have been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, Wuling Liuji has actively undertaken development projects, either in house or in co-operation with other business partners, for the production of the upgraded engine products in serving the different needs of the customers. During this year, Wuling Liuji has successfully launched its first engine product for the passenger vehicles, in which mass production orders from the main customer has commenced in November 2014. Meanwhile, through the formation of a joint venture company with a technical partner, Wuling Liuji is also developing our owned proprietary V6 cylinder engine products. The successful development of this product will significantly enhance our products range and capability in the industry.

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 the launches of new products 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 2014 was RMB7,418,056,000, representing an increase of 11.4% as compared to previous year. Benefited from the launches of new models and the positive effects from the cost control and integration exercises, operating profits for the year was significantly improved to RMB109,613,000, representing an impressive increase of 47.4% as compared to previous 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 2013, the former 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 integration exercise has since gradually demonstrated its effectiveness and benefits.

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 RMB6,000,569,000 and accounted for approximately 80.9% 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 models such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) 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 and industrial services amounted to approximately RMB1,417,487,000, which was also gradually increased during the year.

During the year, operating margin continued to improve resulting from scale operations and the positive effects from the cost control and integration exercises, despite higher administrative costs, in particular the research and development expenses, incurred for the launches and new models and the 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 capacity expansion and upgrading programmes. With respect to the Qingdao region, the Group has initiated further capacity expansion programme through the leasing of additional factory premises from Liuzhou Wuling commencing from January 2015. From which, the annual production capacity of the Qingdao production facilities will be gradually increased from the present 600,000 units to 800,000 units of key components. Due to the continuous increases of businesses from the major customer, the existing self-owned production facilities which were completed and fully operational in 2013 had gradually reached its full capacity level recently.

As for the Liuzhou region, the self-owned primary production base in Hexi Industrial Park, Liuzhou, with a site area of over 400,000 sqm., which is primarily for the mini- vehicles' components businesses, has been fully completed in 2014. Implementation of various relocation, integration and upgrading exercises along with the completion of this primary production base in Liuzhou has gradually given rise to a positive impact on the business performance of the division. Meanwhile, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the sedans and MPVs, the division has recently established another production facility in the eastern district of Liuzhou, which is mainly targeted at the types of sedan and MPV passenger vehicles' components businesses. This new production facility, which is strategically located in adjacent to the passenger vehicles production base of SGMW, has started operation in late 2014. The Group will oversee these passenger vehicles' components businesses from SGMW and will initiate appropriate plans for further expansion of this production facility in due course.

Subsequent to the year end, the Group entered into a contract to acquire a piece of industrial land with a site area of 100,000 sqm. in Chongqing as a strategic move for further expanding its production capacity in the western region of the PRC, for serving the needs of SGMW and other new customers in this particular region. The Group is at present monitoring the business development plan of the potential customers in this region in order to formulate appropriate business plans for this region.

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, the Group has completed the integration exercise of the operation of this division in 2013, which was previously undertaken by the subsidiary Wuling United into Wuling Industrial. This exercise, which eventually led 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 currently 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 mini-vehicles production capability, strategically, the automotive components division has progressed gradually to other higher value-added passenger vehicles, such as the sedan and MPV segments 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 2014 was RMB2,054,239,000, representing a slight increase of 2.1% as compared to previous year. Operating profits for the year was RMB49,233,000, representing an increase of 20.9%. Due to a gradual shift of the principal products, the specialized vehicles division experienced a slowdown in the business in which the sale volume of the redecorated vans was in particular decreased as compared to previous year. However, increase in revenue from the sales of higher end models ensured a healthy development of this division during the year.

During this year, the Group sold approximately 41,000 specialized vehicles, representing a decrease of 12.8% as compared to previous year. As mentioned above, the decrease was mainly attributable to a decrease in the sale volume of redecorated vans, whereas overall steady growth was maintained for other main products such as mini-school buses, mini-buses and multi-purpose mini-vans, etc. The specialized vehicles division has been actively promote new models to expand its product range and business volume, as well as to enhancing its profitability. 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.

Operating margin slightly improved to 2.4% 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, increasing costs of research and development and warranty incurred 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 and expects the business development costs incurred for these new models will benefit the profitability performance.

At the same time, the specialized vehicles division is also undertaking certain integration programmes similar to the automotive components and other industrial services division aiming at a better control over the production and marketing which helps to promote cost effectiveness and production efficiency. 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 the overseas markets.

The capability of the specialized vehicles division in the car assembly industry is originated from the long-standing industry experiences of Wuling. In fact, the models designed and developed by the Group are 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.

The capacity of the specialized vehicles division in Liuzhou at present is about 60,000 vehicles a year. Besides, the Group has also operated a smaller size production facility in Qingdao with a capacity of 30,000 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group's turnover for the year ended 31 December 2014 was RMB12,138,662,000, representing a slight increase of 0.8% as compared to previous year. Impressive growth of businesses of the automotive components and other industrial services division helped to compensate the decreases in the annual turnover of the engines and related parts division. Overall, strong market presence and increasing demands to the products of our key customer ensured a steady growth of the Group in the automobile industry in China.

Gross profit for the year was RMB1,373,721,000, representing an increase of 9.1% as compared to previous year. Increases in revenue and the gradual improvement in the operations of the new facilities of the automotive components and the foundry facilities of the engines division benefited the margin performance of the Group, in spite of the adverse effects from a slowdown of business in the specialized vehicles division and a decline in the sale volume of the engines division during the year.

Gross margin of the Group further improved to 11.3% during the year as compared to 10.5% recorded in previous year. Notwithstanding, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Net profit of the Group for the year was RMB108,417,000, representing an increase of approximately 2.2% as compared to previous year. The increase had already accounted for the adverse effects from the losses and expenses incurred in the relocation of certain production facilities and a consolidation programme took place during the year. Profits attributable to the owners of the Company was RMB49,443,000, representing a slight decrease of 2.1%. Apart from the above adverse factors, the decrease was also substantially attributable to the positive impact of the tax refund arising from the withholding tax rate reduction as reported in previous year and the fair value adjustments of the convertible notes issued by the Company in which a loss of RMB1,282,000 was recorded for the year as compared to a gain of RMB7,534,000 recorded in previous year. The convertible loan notes which were issued to Wuling (Hong Kong) Holdings Limited ("Wuling HK") , our controlling shareholder, in January 2014 were fully exercised in May 2014 at a conversion price of HK$0.58 per ordinary share of the Company, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK. The conversion demonstrated the long term commitment of Wuling HK in the Company, whereas, the issue of these new ordinary shares also helped to further strengthen the capital base of the Company.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB51,702,000 for the year ended 31 December 2014, representing an increase of 15.7% as compared to previous year primarily as a result of an increase in the government subsidies during the year.

Other losses amounted to RMB46,212,000 in total for the year ended 31 December 2014, which comprised primarily losses on disposals of certain fixed assets resulting from the relocation of the production facilities amounting to RMB10,687,000, the impairment losses of RMB16,702,000 on the goodwill and certain fixed assets on termination of operations of a non-wholly owned subsidiary in the engines and parts division, an impairment loss of RMB8,224,000 on an investment in a joint venture company in Qingdao.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB323,761,000 for the year ended 31 December 2014, which maintained at the similar level as compared to previous year and was in line with business volume of the Group.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB831,072,000 for the year ended 31 December 2014, representing an increase of 8.9% as compared to previous year. The increase was mainly attributable to the additional research and development expenses incurred for various new projects during the year.

Research and development expenses for the year ended 31 December 2014 amounted to RMB197,609,000, representing a substantial increase of 75.5% as compared to previous year. Such increase was primarily due to the launches and development projects of new products undertaken by the Group. 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 2014 amounted to RMB80,417,000, representing a decrease of 8.9% as compared to previous year. The balances had included the finance cost of RMB4,503,000 incurred for the convertible loan notes issued by the Company and the other interest expenses payable to Wuling HK and Liuzhou Wuling amounting to RMB31,030,000 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 2014 was RMB3.57 cents, representing a decrease of 17.2% as compared to previous year, whereas, earnings per share on fully diluted basis was RMB3.56 cents, representing a decrease of 4.8%, in which the effect arising from the fair value adjustment on the convertible loan notes issued by the Company, which had been fully converted in May 2014, was excluded in the calculation. Such decreases were mainly due to the increase in the number of issued shares of the Company from the conversion of the convertible loan notes during the year.

Consolidated Statement of Financial Position

As at 31 December 2014, total assets and total liabilities of the Group stood at RMB9,814,578,000 and RMB8,201,386,000 respectively.

Non-current assets amounted to RMB2,488,047,000 comprised mainly property, plant and equipment, prepaid lease payments and deposits paid for acquisition of non-current assets, interests in joint ventures, etc. As mentioned above, for further integration of operations within the engines and parts division, during the year, Wuling Liuji decided to terminate the operation of the non-wholly owned subsidiary in Jilin. Owing to this, goodwill on acquisition of this subsidiary, amounting to RMB5,252,000 has been fully written off during the year.

Current assets amounted to RMB7,326,531,000 comprised mainly inventories of RMB1,449,146,000, trade and other receivables and bill receivables discounted with recourse of RMB5,023,153,000, cash and cash equivalents (inclusive of pledged bank deposits) of RMB849,276,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,264,113,000 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 RMB849,276,000, in which RMB647,524,000 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 RMB316,012,000 as at 31 December 2014.

Current liabilities amounted to RMB7,974,601,000, comprised mainly trade and other payables of RMB7,246,366,000, provision for warranty of RMB164,179,000, tax payable of RMB27,557,000 and bank borrowings — due within one year (inclusive of advances drawn on bills receivable discounted with recourse) of RMB533,264,000.

The Group recorded net current liabilities of RMB648,070,000 as at 31 December 2014, which had been increased as compared to the net current liabilities of RMB271,994,000 as at 31 December 2013.

Non-current liabilities amounted to RMB226,785,000 comprised mainly amounts due to Liuzhou Wuling of RMB191,314,000, deferred income of RMB19,739,000 and deferred tax liability of RMB15,732,000.

DIVIDEND

The Board recommends the payment of a final dividend of HKD0.5 cent per ordinary share (2013: HKD0.5 cent) in respect of the year ended 31 December 2014 (the "Final Dividend") to shareholders whose names appear on the register of members of the Company on Tuesday, 16 June 2015. 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, 5 June 2015 (the "2015 AGM"), dividend warrants will be dispatched to shareholders of the Company on or about 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 June 2015 to Friday, 5 June 2015, both dates inclusive, during which no transfer of shares of the Company will be effected. In order to qualify for attendance of the 2015 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 1 June 2015. The time and venue of the 2015 AGM will be advised in due course.

The register of members of the Company will be closed from Friday, 12 June 2015 to Tuesday, 16 June 2015 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 11 June 2015.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014 (2013: 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 to all of the directors of the Company. All of them have confirmed that they have complied with the Own Code and the Model Code throughout the year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising the three independent non-executive directors of the Company, namely Mr. Ye Xiang (the Chairman), Mr. Zuo Duofu and Mr. Wang Yuben, has been 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 websites of the Company and Hong Kong Exchange and Clearing Limited respectively.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company for the year ended 31 December 2014 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 2014 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 2014 as set out in this 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 of the Company for the year ended 31 December 2014 containing all information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites 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. Wei Hongwen (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Sun Shaoli, Mr. Zhong Xianhua, Ms. Liu Yaling and Mr. Zhou Sheji as executive Directors and Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben as independent non-executive Directors.

On behalf of the Board
Wei Hongwen
Chairman

Hong Kong, 27 March 2015