# WULING MOTORS HOLDINGS LIMITED
# 五菱汽車集團控股有限公司

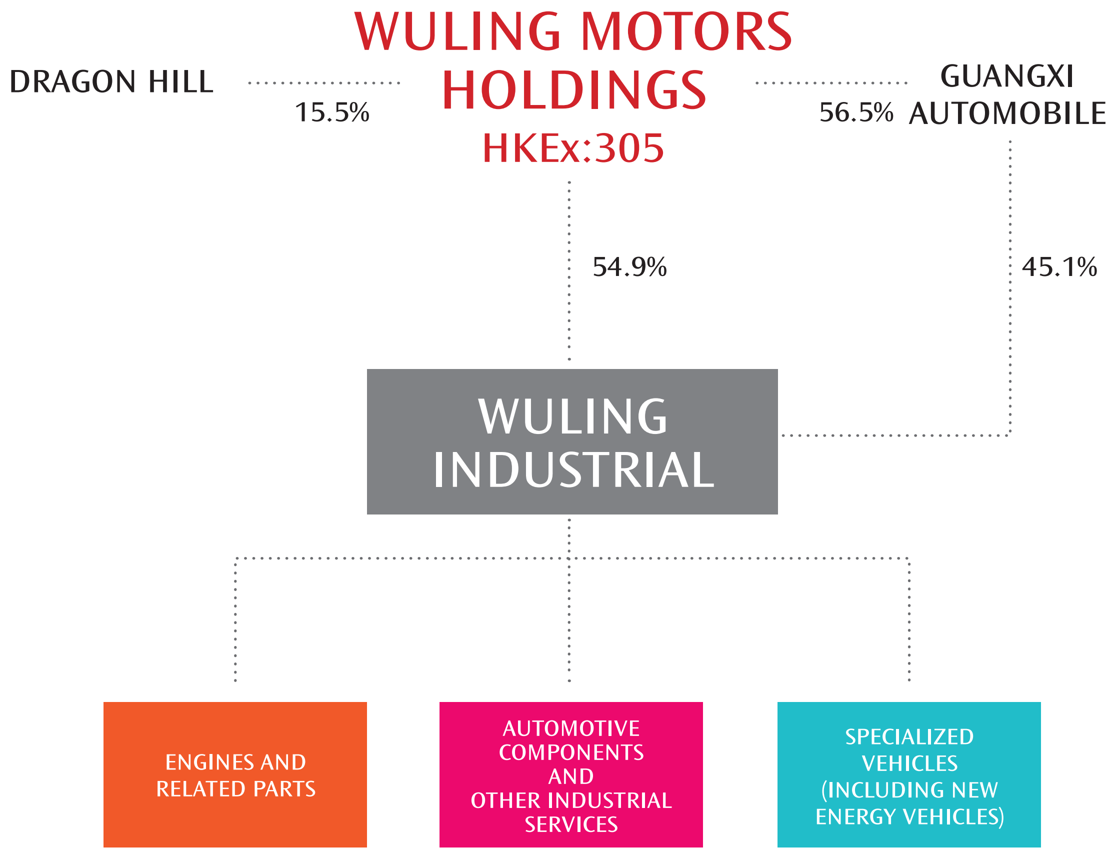
(Incorporate in Bermuda with limited liability)
HKEx Stock Code : 305

## 2015 ANNUAL REPORT

## CORPORATE PROFILE

Wuling Motors Holdings Limited ("Wuling Motors Holdings" or the "Company") and its subsidiaries (collectively referred to as the "Wuling Group" or the "Group") are principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles in China. Our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China. We supply engines and automotive components to commercial-type mini-vehicles and passenger vehicles. We are also a qualified enterprise for manufacturing electrical mini-truck in China. The Group's main production facilities are located in Liuzhou, Qingdao and Chongqing. Since 2011, it has been ranked as one of the Fortune China 500 Enterprises.

## GROUP STRUCTURE



# CONTENTS

# CHAIRMAN'S STATEMENT

**PURSUING**
Growth Amid Stability
**OPTIMIZING**
Business Structure
**PROMOTING**
Sustainable Development

**WEI Hongwen**
*Chairman*

## PREFACE

2015 was a year full of opportunities and challenges for automobile industry in China. As China's economy entered the new normal, the automobile industry experienced stages of moderate growth. Adhering to its operating policies of "Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable Development", Wuling Motors Holdings Limited (hereinafter referred to as the "Group" or "Wuling Motors Holdings") managed to enhance quality and efficiency, continued to adjust its enterprise structure and promoted business transformation, successfully identifying new goals for strategic development without compromising the long-standing scale of operation and healthy growth. In 2015, the Group recorded a turnover of RMB13,451,243,000, representing an increase of 10.8% over the previous year; net profit of RMB170,052,000, representing a growth of 56.8% over the previous year; and profits attributable to the owners of the Company of RMB82,212,000, representing an increase of 66.3% over the previous year, effectively a testament to the enhancement of its corporate competitiveness amid this challenging year.

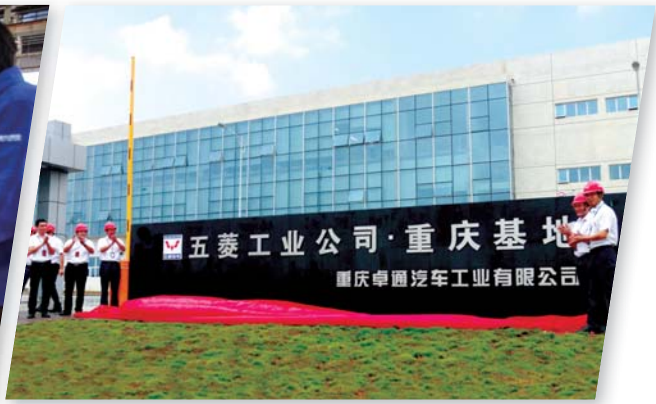
## REVIEW OF MAJOR ACHIEVEMENTS IN 2015

In 2015, the Group continued to optimize its business structure and actively pursued cost control and efficiency enhancement, achieving better operation quality as a result. In addition, adjustments were made to product structure to cater the customers' needs by transforming and upgrading to high value-added passenger vehicles products. Meanwhile, the Group's keenness on project establishment and its solid foundation of ancilliary facilities provided strong momentum for its corporate development. The Group also reinforced operation management and took further precautionary measures against various operating and marketing risks to steadily push through a strategic transformation process, culminating business growth amid stability. For the year under review, the Group recorded the following major achievements:

### 1. Pursuing growth amid stability through shifting focus to medium-to-high ended products

**(i) Adjusting product structure to cater the market by achieving enhancement in both productivity and quality of component business**

For component business, in 2015, the Group closely followed the development of its customers where the models adopted by the customers shifted from mini-vehicles to high-ended MPV and SUV passenger vehicles. The Group continued to widen the business scope of supplying components to the passenger vehicle market through upgraded technology and innovative products, in turn promoting the




transformation and upgrade of its products from commercial-type vehicles to medium-to-high ended passenger vehicles. The Group successfully developed the self-owned brand of passenger vehicles product series of its major customer SGMW, including key components such as rear structure of vehicle body for Baojun 730 model, cockpit modules for Baojun 730 model and front skin for Baojun 560 model, and recorded a mass order volume. In particular, seat and cockpit modules for Baojun 730 model were the high valued-added products resulted from enhancement of technology and strengthen our core competitive edge, marking a breakthrough achieved in the competition with the joint ventures of the global top 500 enterprises. The achievement further strengthened the production lines for passenger vehicles products of the Group, demonstrating our caliber in managing the production of medium-to-high ended passenger vehicles products as well as further improvement of our technology and quality of component products. In addition, leveraging on its stable quality and supply, the Group's self-developed 1.8L engine products were exclusively installed in Baojun 560 SUV model, marking the Group's ability to manage the production of components for passenger vehicles and further enhancement in technology and quality of its component products. In 2015, the Group's component business for passenger vehicles accounted for over 50% of the total income generated from the division for the year 2015.

**(ii) Continuously launching energy-saving environmental models to achieve growths in car assembly business**

The Group adopted a market segmentation strategy to cater for market needs. Focus was put on developing new products of energy-saving environmental models such as rear-drive electrical sight-seeing vehicles, Wuling Rongguang mobile service vehicles (五菱榮光流動服務車), Wuling Rongguang vending vehicles (五菱榮光售貨車), refrigerator vehicles and refreshment vehicles. The new products were launched and well received by the market. Wuling Rongguang low-temperature refrigerator vehicles (五菱榮光低溫冷藏車) were accredited as the "Excellent Application of Cold Chain Products in PRC" (中國冷鏈優秀產品應用案例), which is the first national award of professional standard for the cold chain industry received by the Group.

In order to strengthen the Group's competitiveness for passenger buses, the Group focused on the optimization of quality and cost reduction of passenger buses. Modifications were made to metal plate, interior and external decoration and chassis in response to the market feedback, contributing to a cost reduction of approximately RMB2,000 per unit. The competitiveness of the Group's products was largely strengthened by our effort to enhance quality and lower cost. In 2015, the Group's three major vehicle models, namely redecorated vehicles, passenger buses and non-road vehicles, recorded a sales volume of approximately 43,000 units in aggregate, of which Wuling school buses recorded a sales volume of nearly 3,100 units, representing a year-on-year increase of approximately 26%, providing a formidable support to the strategic development of the Group's car assembly business. The Group's first strategic model S100, a medium-to-high ended passenger vehicle model, will soon be launched to the market, which is expected to make positive contribution to and lay a solid foundation for the future development of the Group's business.

## 2. Reinforcing the industry base to realize inter-provincial linkage of multi industries

In order to keep pace with the development of customers and shift its focus to high value-added products, we realized the strategic transformation of our products during "the 12th Five Year Plan" period by consolidating the demands for project investment, achieving a steady progress in the Group's major project establishment and more investment has been made in expanding infrastructure construction. In 2015, with the completion and commencement of production of the Chongqing base, the Group formed its strategic production layout at Liuzhou, Chongqing and Qingdao, Shandong. Currently, the Group has initially transformed the single production point at Liuzhou to the inter-provincial production group at Guangxi, Shandong and Chongqing, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, and establishing a sound foundation for the Group's business growth and sustainable development in the future. Meanwhile, the Group also kept pace with the oversea site (Indonesia) of major clients, and is actively planning for the construction of the Indonesia production base.

## 3. Launching the cost reduction and efficiency enhancement campaign to enhance the corporate management and operation efficiency

### (i) Continuously launching the "Three Defining Measures" and "Three Restraining Measures" work to enhance the operating efficiency of the Group

For the enhancement of organizational efficiency and the reduction of operation cost, the Group consistently implemented the "Three Defining Measures", which included the designation and delegation of duties and responsibilities to departments, position and staff and the "Three Restraining Measures" which included the restraining of cost, poor quality inventories and poor quality account receivables significantly pushing forward the operating quality of the Group. Through the optimization of functions and positions, we continuously cut down the number of supporting positions and staff, fully enhancing the operation efficiency of the Group with 5% reduction of logistical and supporting positions per annum for three consecutive years.

We conducted specialized management for the inventories, account receivables and cost of the Group by assigning specific personnel from fellow enterprises to follow up, report and make specific risk assessment and advice on remedial actions on a regular basis at the Group's meetings of operations and financial analysis. In 2015, we further expanded the scope of work into the management of intangible assets and fixed assets, continuously strengthening our capability in cost control and in dealing with various operational and market risks.

### (ii) Intensifying the application of automation to carry forward intelligent establishment

We always keep pace with the times and initiate change. By the training and study of the new concept of Industry 4.0, we further the knowledge of the strategic path and spirit of "Made in China 2025", and launched "intelligent" transformation in the Group in order to enhance the quality of technological equipment and production efficiency, ensuring the level of production capacity and quality. The Group increased its application of industrial robots and other automation equipment, accelerating robot transformation in production bases at Hexi and Liudong at Liuzhou, Guangxi, and accomplishing automated production of the majority of production lines such as rear axles, front axles, rear structure of vehicle body, cockpits and eliminating rows, with the research and trial running of intelligent manufacturing of production lines such as rear structure of vehicle body and cockpits underway. The Group has put 59 automated production lines and more than 447 robots into operation, gradually increasing the production value per capita. Through the efforts in automation transformation, the Group is striding forward to an in-depth integration of industrialization and informatization.

In June 2015, the Group's first comprehensive intelligent production line of cockpit modules commenced production and supply at the Liudong facilities. The production line can exchange information with clients in terms of scheduling, production and good supply. Its annual production volume is expected to be more than 400,000 units, paving the way for the Group's exploration into the Industry 4.0.

## STRATEGY AND PROSPECT

We are optimistic about the future development of the automobile sector. With the efforts made during “the 12th Five Year Plan” period, the Group has achieved preliminary success in its strategic transformation. Guangxi Automobile, our ultimate controlling shareholder, is formulating strategies for its next development stage during “the 13th Five Year Plan” period and specifying positioning and responsibility division for each group company. The Group will keep pace with Guangxi Automobile’s development and create reasonable returns to our shareholders.

In the ensuing year, the Group will aim at expanding and securing our market by shifting to a more market-oriented operating mechanism under an updated regulatory system for enterprises; strengthening its research and development capabilities of new products to optimize its core products and enhance its core competitive strengths; accelerating the upgrade of product structure and maintaining major project establishment to pave the way for the implementation of strategic plans; collaborating with other enterprises, both at home and abroad, to procure quality enhancement and innovative development for our component business; and actively cultivating talents for emerging businesses to pursue project establishment. We will commit to proceeding with major technology enhancement projects and equity investment projects that may contribute to the sustainable development of the Group.

Wuling Industrial is the most important operating entity of the Group. As the controlling shareholder of Wuling Industrial, the Group will implement appropriate financing strategies in a timely manner to provide funding for the development of Wuling Industrial, including utilizing the fund raising platform of Wuling Motors as a listed company. The Group is also dedicated to seek appropriate acquisition and investment opportunities to support and accelerate the development of Wuling Industrial.

Looking forward, on the back of continuous enhancement in operating and management efficiency and with the ongoing support from Guangxi Automobile, our ultimate controlling shareholder, customers and business partners, we are confident that Wuling Motors will experience robust growth and lead us to a brighter and more prosperous future. We will make every endeavor to bring promising returns for our shareholders and investors.

**WEI Hongwen**
*Chairman*
24 March 2016

# REPORT OF THE CEO

**Identify Operation Targets**
Optimize Management Structure
**Enhance Product Structure**

**LEE Shing**
*Vice Chairman & Chief Executive Officer*

## RESULTS AND PERFORMANCES

I am pleased to present the audited results of Wuling Motors Holdings Limited for the year ended 31 December 2015.

The year of 2015 was full of challenges to the automobile industry in China. In line with a continuous slowdown in the growth of the local economy, total number of motor vehicles sold in China increased moderately by 3.3% on a year-on-year basis and reached 24.5 million vehicles for the full year.

Subsequent to a rapid stage of growth in recent years which were driven by the robust economic environment and the expansionary government policies, the automobile industry had now entered into a stable stage, in which growths and demands were more originated from the composed reasons of the consumers, such as replacements, model upgrades and increases in household income. Under this market condition, during the year ended 31 December 2015, the Group recorded total revenue of RMB13,451,243,000, representing an increase of 10.8% as compared to previous year.

Gross profit for the year under review was RMB1,521,033,000, representing an increase of 10.7% as compared to previous year. Increases in revenue and scale operation of the new higher end products with better profit margins contributed to the margin performance of the Group, in spite of 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 during the year.

Gross margin of the Group maintained at 11.3% for the year. Continuous improvement in the product mix with increasing revenue share from the products for the passenger vehicles' businesses and a hardheaded policy focus on cost control brought the positive trend of a consecutive years of improvement in gross margin despite the keen competition environment in the automobile industry in China.

Net profit of the Group for the year was RMB170,052,000, representing an increase of approximately 56.8% as compared to previous year. Profits attributable to the owners of the Company was RMB82,212,000, representing an increase of 66.3%. The increase had already accounted for the adverse effects from a substantial increase in the research and development expenses and the impairment losses on certain receivable balances which had affected the net profit and the profits attributable to the owners of the Company for the year.

On 18 June 2015, the Company announced an open offer of not less than 303,598,595 but not more than 311,391,824 shares of the Company (the "Share") to the shareholders on the basis of one offer share for every five Shares held on 8 July 2015 at HK$0.70 per Share (the "Open Offer") , details of which were disclosed in the Company's prospectus dated 9 July 2015, in which Wuling (Hong Kong) Holdings Limited ("Wuling HK"), the controlling shareholder of the Company acted as the underwriter. According to the prospectus, net proceeds from the Open Offer was estimated to be approximately HK$210.02 million (equivalent to approximately RMB168.02 million, where the Company planned to inject cash of RMB 160 million as capital on a non pro-rata basis into our non-wholly-owned subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") aiming at further strengthening the financial position of Wuling Industrial and to provide the funding for its various on-going expansion and enhancement projects. The Open Offer was completed on 30 July 2015 where a total number of 303,598,595 new Shares were issued by the Company, which helped to further strengthen our capital base, whereas, the capital injection into Wuling Industrial was completed in February 2016.

## OPPORTUNITIES AND CHALLENGES

The economic environment in China continued to undergo certain structural adjustments during the year of 2015. As China's economy entered the stage of new normal, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. Supported by the continuous growth in the local economy and increasing demands from the consumers, the automobile industry in China maintained its momentum of growth for the year of 2015 and registered a continuous record sale of 24.5 million vehicles for the year notwithstanding a moderate growth rate of 3.3% on a year-on-year basis. Such increase was mainly attributable to the growth in the segment of passenger vehicles, which comprised primarily sedans, MPVs and SUVs, etc. Amongst which, the MPVs and SUVs continued to be the most impressive growth segments, which are also the strategic focus of the Group and our key customer.

Adhering to our operating principles of "Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable Development", the Group focused on the enhancement of the corporate standard of quality and efficiency, promotion of business transformation, optimization of our enterprise structure, implementation of a solid growth strategy, without compromising our long-standing competitive strength of operation scalability.

During the year, in co-operation with customers and business partners, new products were unremittingly developed and launched in response to the dynamic market environment. We confidently expect some of which would become the next growth drivers of revenue of the Group in the years ahead. In addition, commencement of operations of the new production plants and other ancillary facilities, such as the completed Liuzhou Hexi Industrial Facilities, the extended Qingdao Facilities, the newly established Liudong Facilities and Chongqing Facilities had also provided fundamental supports for our business development. The establishment of these enhanced facilities would also ensure our competitive strength in terms of scalability and geographical locations for future business development and transformation projects. Meanwhile, in response to the specific business environment and the strategy of our key customer, the Group had initiated certain strategic changes in our business operations. In particular for our automotive components division, our business focus had been gradually shifted from a high reliance on the commercial mini-vehicles segment to an optimum mix of contribution from the commercial mini-vehicles and the passenger vehicles segments. The remarkable segmental performances of the engines and the automotive components division since last year, in terms of the growth in revenue and operations, had continuously demonstrated the importance and effectiveness of this business strategy in fostering the business potential of the Group.

While the Group has been actively monitoring the changing business environment when implementing business strategies, we have never underestimated the risks associated with excessive capacities and dynamic market situations. Therefore, apart from implementing appropriate capacity expansion strategies, the Group has also undertaken quality services oriented and technical re-engineering programs to further strengthen our product quality standard and technical capability so as to stay competitive in the industry. The Group believes this combined strategy is essential for the corporate development of an enterprise in this challenging environment.

The Group is full of confidence in the long term growth potential of the China automobile industry and realizes in business, challenges and opportunities are indistinguishable to each other. An effective business model can translate challenges into opportunities, which to a great extent, relies on the determined goals and effective strategies of the enterprises.

To cope with the challenges as well as to grasp the opportunities in the automobile industry, the Group has been conscientiously undertaken the following strategies and programs:

a. Technical re-engineering projects such as the specialization programs in our engines and automotive components divisions for the purpose of implementing vertical integration of our existing products, as well as to supplying new lines of products to our core and new customers;

b. Business expansion programs aiming at other car manufacturers in China to develop a healthy diversification of businesses of our (1) engines and parts and (2) automotive components divisions;

c. Various capacity expansion programs in our automotive components and specialized vehicles divisions through the setup of the new production facilities, such as the larger projects in Liuzhou, Qingdao and Chongqing, as well as other minor scale projects, in other geographical regions to enhance productivity and to increase capacity to cope with the increasing demands coming from our core and new customers;

d. Strengthening of the technical capability through research and innovation with market oriented strategies to intensify new product development projects aiming at improving our technical know and enhancing the overall profitability of the Group; and

e. Certain upgrading and integration programs for the operations with the objective to improve efficiency and performance standard, as well as to contain cost of production in order to stay highly competitive in the market.

## OUTLOOK

The Group envisages business environment in China to be highly competitive and challenging in the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run. Despite the challenges and difficulties faced under the current market environment, the Group expects the China economy will continue to expand. Rising income of the general public attributable to the sustained economic growth will necessarily encourage demands for motor vehicles and provide promising business opportunities to the Group.

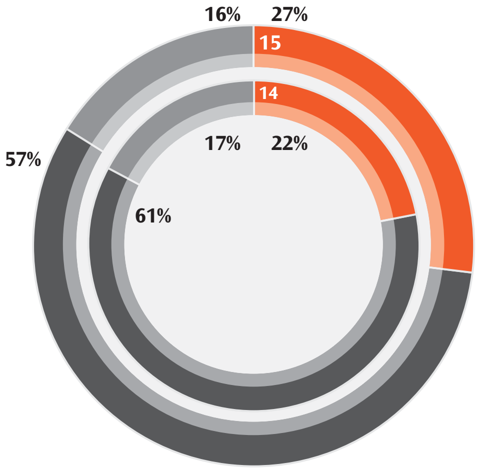
Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the China automobile industry will continue to be strengthened. With the continuous supports from Guangxi Automobile Holdings Limited ("Guangxi Automobile"), our ultimate controlling shareholder and joint venture partner, and our customers, we firmly believe the business prospect of the Group is promising and will bring rewards to our shareholders.

**LEE Shing**
*Vice Chairman & Chief Executive Officer*
24 March 2016

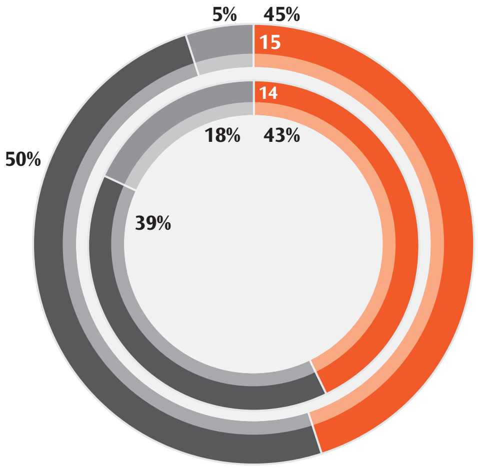
# OPERATION REVIEW

## MAIN BUSINESS SEGMENT —
## ENGINES AND RELATED PARTS

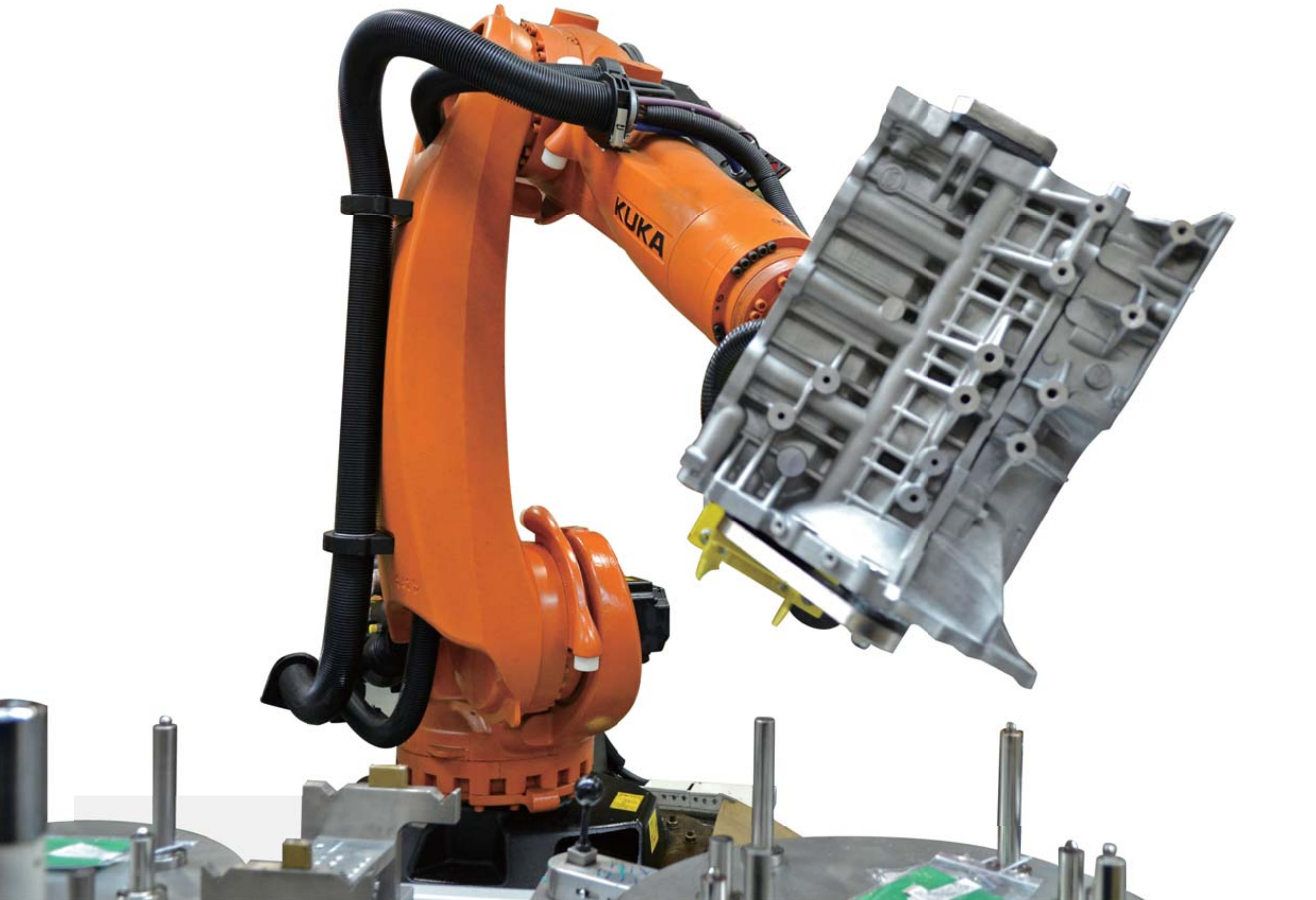
**TURNOVER**




**OPERATING PROFIT**




- Engines And Related Parts
- Automotive Components And Other Industrial Services
- Specialized Vehicles



## ENGINES AND RELATED PARTS

Turnover (based on external sales) of the engines and parts division for the year ended 31 December 2015 was RMB3,620,766,000, representing an increase of 35.8% as compared to previous year. Operating profits for the year was RMB169,916,000, representing an increase of 39.1% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year 2015 was approximately 520,000 units, representing a moderate increase of 6.1% as compared to previous year. A shift in the product mix towards higher end models drove the impressive business performance for the year, notwithstanding a moderate increase in volume.

During this year, sales to SGMW, our core customer, was increased by 50.6% to approximately RMB2,695,250,000, and continued to account for the majority portion of the division's revenue. The increase was mainly attributable from the mass production of NP18, the Group's first self-propriety engine for passenger vehicles, which was installed in Baojun 730 and 560 model of SGMW. NP18 which had a higher selling price as compared to the traditional models produced for commercial mini-vehicles contributed to a significant portion of sales to SGMW for the year 2015.

Meanwhile, 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 RMB925,516,000 for the year 2015, representing approximately 25.6% of the total revenue of this division.

Operating margin slightly improved to 4.7% as compared to 4.6% for previous year. During this year, continuous improvement of the operations of the foundry facilities since the commencement of scale operation in 2014 helped to benefit the margin performance of the division despite a higher level of research and development expenses incurred for the year. Furthermore, mass production of the abovementioned N18 new model with higher selling price and better profit margin provided an important driving force for the improvement in profitability of the 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, especially for the passenger vehicles segment, in order to derive an optimum capacity and utilization level for its operations.

In the past, engines produced by Wuling Liuji were mainly for the commercial mini-vehicles which had 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, especially targeting at the passenger vehicles' business. As mentioned above, Wuling Liuji has successfully launched NP18, its first engine product for the passenger vehicles, in which mass production orders from the main customer has gradually taken off during the year. This product marked a significant breakthrough of Wuling Liuji from which, in term of revenue, the contribution from the passenger vehicles products in 2015 surpassed the contribution from the traditional commercial mini-vehicles products.

Meanwhile, Wuling Liuji is also making significant progress in our owned proprietary V6 cylinder engine products which is undertaken by a joint venture company formed with a technical partner, namely Liuzhou Lingte Motor Technology Company Limited ("Liuzhou Lingte"). Following the successful completion of the research and development of the 3.0L Advanced Model and the entering into the planning stage of the production facilities by Liuzhou Lingte, on 15 April 2015, the Company announced a further capital injection of RMB49,450,000 to Liuzhou Lingte for construction of the infrastructure and the main assembly line and for funding other ongoing projects of Liuzhou Lingte. The successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry.

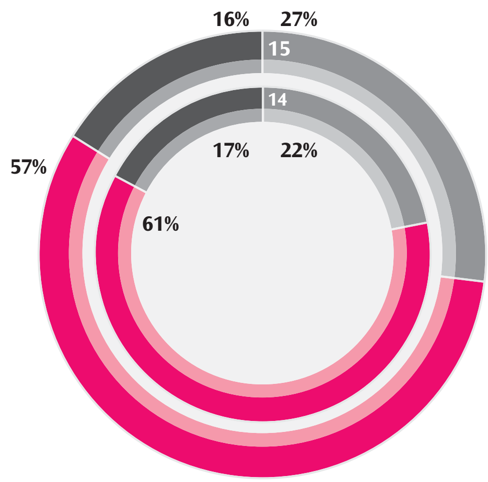
Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, so as to maintain its competitiveness in this market segment. The Group believes the successful launch of new higher end products will enhance the 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 higher ended 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.

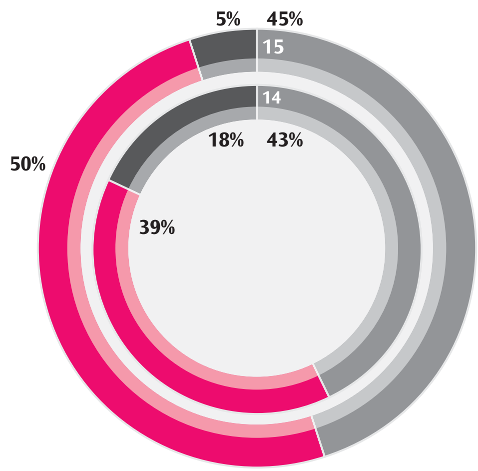
## MAIN BUSINESS SEGMENT —

# AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES

**TURNOVER**




**OPERATING PROFIT**




- Engines And Related Parts
- Automotive Components And Other Industrial Services
- Specialized Vehicles

## 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 2015 was RMB7,689,088,000, representing an increase of 3.7% as compared to previous year. Benefited from the positive effects from the launches of new models despite a significant increase in research and development expenses during the year, operating profits for the year improved to RMB187,374,000, representing an impressive increase of 70.9% as compared to previous year.

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, continued to increase and accounted for approximately 87.1% 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 provided another promising business potential to this division.

Meanwhile, sales to other customers comprising specific automotive components and industrial services amounted to approximately RMB992,018,000, which was decreased during the year.

During the year, operating margin continued to improve resulting from scale operations and the positive effects from contribution of the higher end products as well as 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 Guangxi Automobile commencing from January 2015. From which, the annual production capacity of the Qingdao production facilities has been gradually increased to 800,000 units of key components.

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. 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 in particular for the passenger vehicles, the division has established another production facility in the eastern district of Liuzhou ("Liudong Facilities"), which is mainly targeted at the passenger vehicles' components businesses. Liudong Facilities, which is strategically located in adjacent to the passenger vehicles production base of SGMW, has started operation in late 2014. In view of the future demands from SGMW and other potential customers, the Group has commenced construction of the second phase development of Liudong Facilities in May 2015 to ensure adequate production capacity can be ready on a timely basis. 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.

In February 2015, 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. Construction of the production facility has been commenced and progressed satisfactorily and the Group has already initiated appropriate business plans in co-operation with the key customer, whereas contract for purchase of the major equipment for the main production line has been entered into by the Group in July 2015 and is expected to be installed in the first half of 2016.

The automotive components and other industrial services 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 located in Liuzhou, Qingdao and Chongqing ensure closer proximity to the customer's needs across different parts of China. Maximum capacity for key components, from the production facilities, at present can reach 2,000,000 units/sets a year.

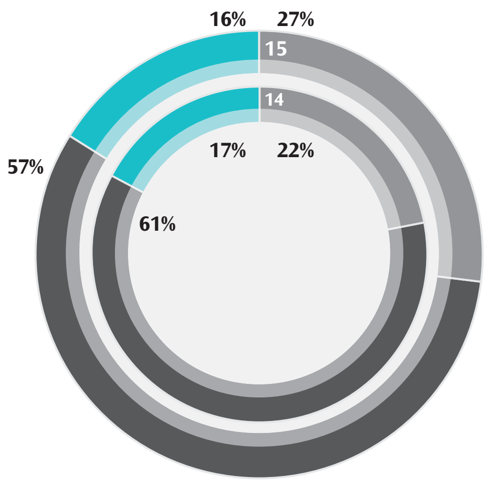
With its long and established industry experiences, the automotive components and other industrial services division of the Group is particularly strong in product design and development. Its capability in supplying a wide range of products provides a one-stop shop services to the customers, whereas, the scalability of its production facilities ensures the particular needs of our key customer can be properly taken care of. Apart from its traditional well and established commercial mini-vehicles production capability, strategically, the automotive components and other industrial services division has progressed gradually to other higher value-added passenger vehicles, such as the sedan, MPV and SUV segments to further the profitability performance for the Group. This strategic move has triggered a significant breakthrough in 2015, the division has successfully achieved a higher contribution of revenue share from the passenger vehicles' businesses during the year.

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.

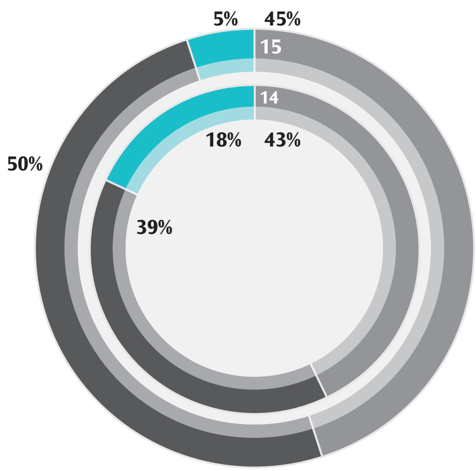
## MAIN BUSINESS SEGMENT —

# SPECIALIZED VEHICLES (INCLUDING NEW ENERGY VEHICLES)

**TURNOVER**




**OPERATING PROFIT**




- Engines And Related Parts
- Automotive Components And Other Industrial Services
- Specialized Vehicles

## SPECIALIZED VEHICLES

Turnover (based on external sales) of the specialized vehicles division for the year ended 31 December 2015 was RMB2,141,264,000, representing a moderate increase of 4.2% as compared to previous year. Operating profits for the year was RMB18,975,000, representing a decrease of 61.5%.

During this year, the Group sold approximately 43,000 specialized vehicles, representing a moderate increase of 4.9% as compared to previous year which was mainly attributable to increases in volume of sale of the lower-priced redecorated vans and non-road vehicles. Growth in other categories of products, such as mini-buses and school buses, etc, all experienced different extent of slowdown during the year facing this highly competitive environment.

Operating margin remained at low level of 0.9% 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 continued to work towards the direction of reducing 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 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 major 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.

Total capacity of the specialized vehicles division in Liuzhou at present is about 60,000 vehicles a year. The Group has also operated a small 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 2015 was RMB13,451,243,000, representing an increase of 10.8% as compared to previous year. Impressive growth of businesses in the passenger vehicles' businesses from the new products of the engines and parts and automotive components and other industrial services divisions benefited the business performance of the Group for the year. 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 RMB1,521,033,000, representing an increase of 10.7% as compared to previous year. Increases in revenue and scale operation of the new higher end products with better profit margins contributed to the margin performance of the Group, in spite of 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 during the year.

Gross margin of the Group maintained at 11.3% for the year. Continuous improvement in the product mix with increasing revenue share from the products for the passenger vehicles' businesses and a hardheaded policy focus on cost control brought the positive trend of a consecutive years of improvement in gross margin despite the keen competition environment in the automobile industry in China.

Net profit of the Group for the year was RMB170,052,000, representing an increase of approximately 56.8% as compared to previous year. Profits attributable to the owners of the Company was RMB82,212,000, representing an increase of 66.3%. The increase had already accounted for the adverse effects from a substantial increase in the research and development expenses and the impairment losses on certain receivable balances which had affected the net profit and the profits attributable to the owners of the Company for the year.

Other income comprised primarily service income on repairs and maintenance and bank interest income was in aggregate RMB68,453,000 for the year ended 31 December 2015, representing an increase of 32.4% as compared to previous year primarily as a result of an increase in the service income and bank interest income during the year.

Other losses amounted to RMB30,933,000 in total for the year ended 31 December 2015, which comprised primarily impairment losses recognised on trade receivables of RMB23,403,000 and impairment losses on interests in a joint venture namely Guangxi Weixiang of RMB8,000,000.

Share of results of joint ventures registered a total losses of RMB12,752,000 for the year ended 31 December 2015 attributable mainly to the net operating loss of Guangxi Weixiang and the research expenses of Liuzhou Lingte incurred for the year.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB299,720,000 for the year ended 31 December 2015, representing a decrease of 7.4% as compared to the previous year attributable to a reduction in the transportation cost and warranty expenses.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB931,583,000 for the year ended 31 December 2015, representing an increase of 12.1% 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 2015 amounted to RMB268,432,000, representing a substantial increase of 35.8% 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 2015 amounted to RMB72,484,000, representing a decrease of 9.9% as compared to previous year, which was primarily due to lower interest rates during the year. The balances had also included the finance cost of RMB32,378,000 which were interest expenses payable to Guangxi Automobile. To contain finance costs of the Group, Guangxi Automobile provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market. Due to a decline of the market interest rates, these financing arrangements had been gradually reduced during the year.

Basic earnings per share for the year ended 31 December 2015 was RMB4.92 cents, representing an increase of 40.6% as compared to previous year, whereas, earnings per share on diluted basis was RMB4.83 cents, representing an increase of 38.8%. Respective earnings per share for the year ended 31 December 2014 were adjusted for comparison purpose as a result of the completion of the Open Offer (as defined and detailed in the Report of the CEO) in July 2015.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015, total assets and total liabilities of the Group stood at RMB11,637,552,000 and RMB9,747,892,000 respectively.

Non-current assets amounted to RMB2,951,688,000 comprised mainly property, plant and equipment, prepaid lease payments and deposits paid for acquisition of non-current assets, interests in joint ventures, etc.

Current assets amounted to RMB8,685,864,000 comprised mainly inventories of RMB1,778,552,000, trade and other receivables and bill receivables discounted with recourse of RMB5,007,701,000 (inclusive of advances drawn on bills receivable discounted with recourse amounting to RMB887,215,000), cash and bank balances (inclusive of pledged bank deposits) of RMB1,893,523,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,666,890,000 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 RMB1,893,523,000, in which RMB718,130,000 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 RMB1,008,752,000 as at 31 December 2015.

Current liabilities amounted to RMB9,521,367,000, comprised mainly trade and other payables of RMB8,397,991,000, provision for warranty of RMB151,353,000, tax payable of RMB58,644,000 and bank borrowings — due within one year of RMB884,771,000, which included advances drawn on bills receivables discounted with recourse of RMB881,876,000. The corresponding bills receivables discounted with recourse to these advances amounting to RMB887,215,000 were recorded as trade and other receivables which would be offset against upon maturity.

The Group recorded net current liabilities of RMB835,503,000 as at 31 December 2015, which was increased as compared to the net current liabilities of RMB648,070,000 as at 31 December 2014.

Non-current liabilities amounted to RMB226,525,000 comprised mainly amounts due to Guangxi Automobile of RMB191,314,000, deferred income of RMB18,272,000 and deferred tax liabilities of RMB16,939,000.

## DIVIDEND

The Board recommends the payment of a final dividend of HKD0.75 cent per ordinary share (2014: HKD0.5 cent) in respect of the year ended 31 December 2015 (the “Final Dividend”) to shareholders whose names appear on the register of members of the Company on Wednesday, 15 June 2016. Subject to the approval by the shareholders of the Final Dividend at the forthcoming annual general meeting of the Company to be held on Thursday, 2 June 2016 (the “2016 AGM”), dividend warrants of the Final Dividend will be dispatched to shareholders of the Company on or about 30 June 2016.

## LIQUIDITY AND CAPITAL STRUCTURE

The operating activities of the Group continued to register a net cash inflow for the year ended 31 December 2015. Meanwhile, the investing activities of the Group remained in a net cash outflow situation for the year ended 31 December 2015 due to the on-going expansion and upgrading projects implemented by the Group.

The investing activities were partly satisfied by the financing activities of the Group through bank borrowings and the bills receivables discounted. The Group considers bill discounting activities an effective means of financing available to the Group during the year in terms of finance cost consideration. The outstanding advances drawn on bills receivables discounted with recourse as at 31 December 2015 were RMB881,876,000 which was increased as compared to the corresponding balances as at 31 December 2014.

To contain finance costs of the Group, Guangxi Automobile provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market. Due to a decline of the market interest rates, these financing arrangements had been gradually reduced during the year. Such changes had also given rise to the increase in the outstanding advances drawn on bills receivables discounted with recourse as abovementioned.

As at 31 December 2015, total cash and bank balances maintained by the Group amounted to RMB1,893,523,000, in which RMB718,130,000 were pledged bank deposits to secure the banking facilities offered to the Group. The increase in pledged bank deposits as compared to corresponding balances as at 31 December 2014 was in line with the increase in outstanding advances drawn on bills receivables discounted with recourse as abovementioned.

The Group's bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) increased from RMB533,264,000 as at 31 December 2014 to RMB884,771,000 as at 31 December 2015 due to the increase in outstanding advances drawn on bills receivables discounted with recourse as abovementioned.

Bank borrowings other than advances drawn on bills receivables discounted with recourse amounted to RMB2,895,000 as at 31 December 2015, which was substantially decreased as compared to the corresponding balances as at 31 December 2014.

At 31 December 2015, the Group had a gearing ratio of 46.8% calculated based on the Group's total bank borrowings (inclusive of advances drawn on bills receivables discounted with recourse) and the Group's net assets, which was increased as compared to the gearing ratio as recorded at 31 December 2014.

Issued capital increased from RMB5,627,000 as at 31 December 2014 to RMB6,600,000 as at 31 December 2015. The increase was due to the completion of the Open Offer (as defined and detailed in the Report of the CEO) during the year.

The Company will closely monitor the financial and liquidity position of the Group, as well as the situation of the financial market from time to time in arriving as an appropriate financing strategy for the Group.

Total shareholders' equity comprised primarily share premium, the PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB1,041,513,000 as at 31 December 2015. Net asset value per share was RMB57.2 cents as at 31 December 2015.

## PLEDGE OF ASSETS

At 31 December 2015, a property held by the Group in Hong Kong with an aggregate value of RMB4,590,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB718,130,000 and bills receivables discounted with recourse amounting to RMB887,215,000 were pledged to the banks mainly to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

At 31 December 2015, the Group maintained Hong Kong dollar bank loans and other payables of an aggregate amount of RMB2,895,000 and foreign currency and Hong Kong dollar bank deposits and other receivables of an aggregate amount of RMB789,000. In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be minimal.

## COMMITMENTS

At 31 December 2015, the Group has outstanding commitments, contracted but not provided for in the financial statements, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB638,545,000.

## CONTINGENT LIABILITIES

As at 31 December 2015, the Group does not have any contingent liabilities.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

## Social Responsibility — An integral part of our business

At the Wuling Group, corporate social responsibility is an integral part of our business. Our core principle is 'Safety Comes First', which implies that safety comes before profit. We have adhered to this principle by instilling high standards of safety into our everyday business.

Being a responsible, caring corporate citizen is at the heart of our corporate philosophy. To us, this means protecting and lessening our impact on the environment, giving back to society in meaningful ways, taking good care of our employees, and doing what's right for our stakeholders.

Our innovations in emissions-free electric vehicles are a key example of how we are building cleaner products to bring to customers. In supporting our communities, our efforts are primarily focused on helping those who are less fortunate in the communities where we operate. As for our employees, our greatest asset and our engine for growth, we have put in place employee programs for development and training, healthy living, work safety and well-being.

In 2015, we have championed a variety of ESG initiatives. Going forward, we aim to create value for society, the environment, our employees, shareholders and other stakeholders through our ESG efforts.

## WORKPLACE QUALITY

### Working Conditions

#### Hiring New Employees

The Wuling Group strives to hire and retain the best people. In doing so, we offer our employees rewarding career opportunities, attractive career advancement options as well as competitive remuneration.

To ensure we recruit employees who match the Group's labor needs and comply with the Group's standards for hiring new employees, we have put in place our Job Qualification Management Guidelines, a set of job qualification guidelines that we follow when hiring and job delegation of the new employees. These guidelines call for an assessment of the job candidate's product knowledge, technical skills, certifications, abilities and any special training that is required for the position.

#### Employee Remuneration

We offer our employees competitive remuneration. Our human resources team monitors the competitiveness of the Group's remuneration to employees to make sure it is up to the industry's standard.

Based on the Group's principle of compensation management, we strongly consider our employees' on-the-job performance when setting their remuneration. Moreover, when we determine employee wages, we consider the wage levels of the labor market in the region as well as related industries' remuneration for a similar position. Carrying out these market analyses enables us to develop remuneration packages for our employees that are competitive in the marketplace. We believe this is important for attracting and retaining top talent.

#### Workforce Statistics and Other Employee Policies

The Group is a fair employer and has established policies that govern its dismissal of employees as well as employee resignations in accordance with the relevant regulations and guidelines of the PRC government.

We believe in fostering a good work-life balance for our employees and have adopted an 8-hour workday and 5-day workweek for our employees.

In 2015, our entire workforce comprised approximately 14,900 employees who were aged between 18 and 60. Amongst which, the percentage of female staff was more than 20%. The percentage of female staff in the supervisor grade was about 14%. With regards to the geographical placement of our workforce, in 2015, we had approximately 11,800 employees based in Liuzhou City, approximately 2,300 employees based in Qingdao City, approximately 800 employees based in Chongqing City and 6 employees based in Hong Kong.

**Nurturing the Next Generation**

*Student Internships*

At the Wuling Group, we strongly believe in nurturing the younger generation. As such, we have developed an internship program that is targeted at equipping young adults with the skills and knowledge that are required in the workplace. Another goal of the student internship is to locate outstanding, talented students whom we can promote to join our full-time team. Each year, we recruit high caliber students from colleges, technical schools and universities in China to participate in our internship program.

We have a systematic way of selecting interns and apply our Intern Management Approach, our documented Group-wide guidelines, for choosing suitable interns. The chosen interns are placed in various departments within the Group according to their strengths as well as their chosen area of interest.

In 2015, we entered into co-operation arrangement with 4 post-secondary education institutes to organizing a total number of 10 training courses covering the topics of repair and maintenance, welding and digital control for the purpose of cultivating young talents required for development of our enterprises. Besides, further collaboration were taken with various institutes for the implementation of the internship programmes for the students to have practical experiences in the enterprises. Interns graduated with good results meeting the Group's qualification requirements and labour needs will be invited to work for the Group on a permanent, full time basis.

## Health and Safety

The Wuling Group adheres to its core principle of 'Safety Comes First'. We foster a people-oriented culture that embraces healthy living and workplace safety.

Due to the importance of health and safety to the Group, our top management oversees all aspects of health and safety of the Group. We carry out risk control planning to identify hazards and take preventive measures to reduce risk.

**Health and Safety Management System and Policies**

We have developed and implemented our Occupational Health and Safety Management System (OHS), a systematic framework for maintaining a healthy and safe working environment for our employees. This system is monitored and reviewed by top management on a timely basis to ensure its continued suitability, adequacy and effectiveness.

The main purpose of establishing and maintaining our OHS is to minimize the incidence of accidents and occupational diseases. Based on our OHS, we have established safety objectives and targets. We make regular assessments of our OHS to ensure that the Group's health and safety requirements are met.

In addition to our OHS, we have also established a Safety Committee that is responsible for overseeing the health and safety matters of the Group. These Group-wide policies provide us a framework for conducting safety evaluations on a timely basis, and for evaluating our existing manufacturing processes for adherence to the government's and the Group's health and safety standards.

**Health and Safety Awards and Recognitions**

*International Health and Safety Certification*

Since 2006, we have obtained the OHSAS 18001 certification. The OHSAS 18001 is an internationally applied standard for occupational health and safety management systems. The Group was honored to receive its OHSAS 18001 certificate, which certifies that the Group has complied with the occupational health and safety requirements of the OHSAS. We view this certification as a testimony to our deep commitment to maintaining a safe and healthy work environment for our employees.

*Work Safety Standard Certificate*

Since 2009, we have passed the national government's work safety assessment and have obtained the Work Safety Standard Certificate from the national government of the PRC, which certifies our adherence to the national government's standards for production work safety practices.

*National Ankang Cup*

The Group has been awarded the National Ankang Cup (National Health & Safety Cup) in the last 5 years. This award recognizes our safe production management, production leaders' strong safety awareness and employees' production safety knowledge and skills.

*Recognition by the Municipal Government of Liuzhou City*

The Group has been recognized by the municipal government of Liuzhou City as a model enterprise that highly values safety. We have also been recognized by the municipal government of Liuzhou City for our advanced safe production technology, and for being a role model for other enterprises to follow for our production safety training.

*Track Record in Employee Health and Safety*

We have achieved a solid track record in employee health and safety. This is evident by our clean record in the last 15 years in which our Group has not experienced any fatal accidents, occupational diseases or major fire incidents. In fact, there have been no fatalities experienced within the Group since the inception of its business. With respect to our track record in the occurrence of injuries in the last 6 years, there has been a low amount of injuries inflicted on our employees.

## Employee Development and Training

In 2015, we provided on-the-job training for over 10,900 employees and approximately 527,000 hours were spent on training these employees.

The Group has 3 different employee training programs:

(a) **Training Program for New Managers** — Training of eight basic management skills, which include corporate governance and financial management, industrial knowledge 4.0 and aspects relating to operation management, are provided to new managerial level employees such as directors, supervisors and senior management personnel.

(b) **Training Program for Professional Level Employees** — Training for professional level employees that encompasses investment analysis and decision making, recruitment and interviewing skills, enhancement of sales skills, audit, management accounting, qualification requirements of engineer and management for production planning training.

(c) **Training Program for Assembly Line Workers and Production Workers** — Training for assembly line workers and other production workers involves providing certain training relating to the aspects of production knowledge enhancement, safety and quality basic and technical standard of job positions, etc to these workers to update and improve their skills.

## Caring for our Employees

We aim to maintain a strong and healthy workforce. As such, we have created a spectrum of caring programs for our employees for their personal and career development.

To cope with the needs of the business expansion and in caring for our employees, the Group have persistently improved our logistic facilities. For instances, dormitories and staff quarters furnished with domestic appliances and furniture have been rented to cater for the needs of the employees who work in the industrial areas which are far away from the city district of Liuzhou. Such facilities currently accommodate a total number of 900 employees. We also provide transport vehicles to the employees who work in the new industrial districts in Chongqing and Liuzhou which are far away from the city district to ensure a safe and normal trip to the working places.

We encourage them to live a healthy lifestyle and exercise regularly. We build up communication platforms for the staff and organize social events to foster harmony in the workplace. Through Worker's Union and committee groups, we launch activities for repair and maintenance work of staff dormitories, environment cleaning programmes to enhance living conditions of the employees.

To promote exercising to our employees, from time to time, we put on sporting tournaments for them. These include basketball, football, balloon volleyball and badminton tournaments.

To care for our employees' children, on Children's Day of each year, we distribute lucky money to employees who have an only child. This small sum of lucky money is meant for providing the children some spending money for purchasing useful items such as educational materials and medical products.

We strive to instill a corporate culture that embraces learning and education. To this end, the Group encourages its employees to learn by sponsoring the educational fees for employees who meet the Group's qualification criteria for furthering their education at external educational institutions such as universities, colleges and trade schools. In 2015, the Group elected three staff members from the core technical team to undertake overseas master degree in engineering.

We care about our employees' well-being. Through our Worker's Union, we have established our Wuling Caring Fund to provide financial aid to employees who are in dire need of it. The Wuling Caring Fund also provides financial aid to employees who have special difficulties.

## Labour Standards

### No Child Labour Policy

The Group has a 'No Child Labour' policy and does not hire persons under the age of 16.

## ENVIRONMENTAL PROTECTION

At the Wuling Group, environmental protection is a priority. We are conscientious about the potential impact that our actions have on the environment and strive to reduce our impact on the environment. To do our part in protecting the environment, we have adopted a number of environmentally friendly initiatives. In the road ahead, we plan to further strengthen our environmental protection efforts as well as develop new programs to care for the environment.

### Emissions

With respect to emissions control, the Group is pleased to report that it has complied with the relevant laws and regulations of the PRC governing emissions control. We strive to exert our best efforts in controlling the amount of emissions we bring to the environment.

#### Reducing Greenhouse Gas Emissions

In 2015, we have continued to develop, manufacture and market our emissions-free electric vehicles. These vehicles do not emit CO2 or other harmful greenhouse gases into the environment. In gearing up for the future, we aim to increase our efforts in reducing emissions and will innovate intelligently to produce clean, safe and efficient products for our customers.

#### Treating Wastewater and Other Substances to Government Standards

With respect to wastewater discharge, we treat our wastewater up to the government's standards before discharging the treated water into the natural environment. With respect to harmful and toxic substances, we have hired a qualified third-party specialist to help us treat these substances according to the government's specifications and standards. This third-party specialist also helps us handle the disposal of harmful and toxic substances.

### Use of Resources

#### Our Principles on Energy Use

Based on the Wuling Group's Principles on Energy Use, we aim for the adequate, reasonable and efficient use of energy resources. We do our best to eliminate inefficiencies and as much as possible, use energy efficient equipment and apply innovative energy-saving technologies.

#### Energy Audits

We conduct an energy audit on an annual basis in accordance to industry standards and the regulations stipulated by the PRC government. Our energy audits are conducted by a qualified independent third-party energy specialist that monitors the Group's energy consumption and evaluates its energy efficiency.

Through conducting a yearly energy audit, we are able to identify opportunities for making improvements. We strive to optimize our energy management, usage of energy resources, energy efficiency as well as our energy consumption.

#### Energy Saving Management Program

The objectives of our Energy Saving Management Program are to save energy, save resources, reduce consumption, reduce environmental pollution and increase economic efficiency. We have implemented certain procedures with respect to saving energy and resources, optimizing energy consumption, reducing environmental pollution and reducing electricity consumption.

Under this program, each department is responsible for the management of their energy consumption. This encompasses the implementation of the energy sector quota, water control and electricity saving targets. Each department is responsible for analyzing its own energy consumption, developing and implementing control measures, and taking corrective measures as necessary.

**Established Energy Department**

We have set up a centralized department that is responsible for our energy usage and conservation.

This department has the following responsibilities:

- energy consumption management standards
- promote the usage and implementation of the department's standards
- energy conservation
- implementation of energy-saving arrangements
- power and energy consumption management standards
- development and promotion of energy-saving technologies
- environmental protection
- improve employees' awareness of energy conservation work

**Energy Management System**

We have established an energy management system that manages the power system, water supply, fire protection systems, compressed air systems, and steam systems.

**Water and Electricity Management**

*Water Management*

We aim to conserve and recycle water whenever possible. We encourage our employees to be cognizant of the amount of water that they use in the workplace. Additionally ,we take preventive measures to prevent long-term leakage of water in all areas of the workplace.

At our production facilities, we recycle the used water from the production process whenever possible. In watering the grass fields around the company premises, we mainly use rainwater or recycled water.

Furthermore, our water piping systems are checked regularly to ensure they are operating properly.

The Group has established and implemented a water recycling program. A major goal of this program is to encourage employees to recycle and reuse water as much as possible. We also monitor our monthly water consumption level to ensure it is in line with our water management goals.

*Electricity Management*

To conserve energy and save on electricity costs, we have implemented green lighting in the workplace. This involves installing energy-saving lights and using energy-saving light bulbs in our office and manufacturing facilities. Furthermore, we encourage our employees to switch off the lights in the areas of the workplace that are not being used and to use natural light whenever possible.

We carry out regular inspections of our equipment to ensure trouble-free operation and the safe usage of electricity in the workplace. Due to the importance of electricity management to the Group, all of our departments have a designated employee who is in charge of overseeing the lights. Furthermore, we monitor our monthly electricity consumption internally to ensure it is in line with our electricity management goals

*Other Energy Saving Initiatives*

Other energy saving habits that our employees have adopted include switching off the fans and air conditioners when no one is in the room as well as switching off their office equipment such as computers and printers at the end of the workday.

## OPERATING PRACTICES

### Supply Chain Management

We have established a set of stringent criteria for choosing our suppliers to ensure that our purchased materials are up to the Group's standards and adhere to certain certifications in order to ensure a smooth production process.

The Group applies a systematic method to choose its suppliers based on the suppliers':

(1) Quality Management — This takes into consideration the quality of the raw materials sourced from the supplier.

(2) On-Time Delivery — Determine if the products we ordered are delivered on time, and whether all of the ordered products were actually delivered.

(3) Logistics Process Management — We assess the accuracy of the delivery, that is, whether the delivery was made according to our delivery time, delivery date and delivery location.

(4) Others — Other supply chain management considerations stipulated by the Group.

We have placed strict controls over our suppliers. We have put in place a set of strict criteria that must be met by our suppliers. If a certain supplier does not meet our criteria, we will then not use that supplier. For example, if a supplier loses a safety license, we will stop using that supplier.

### Product Responsibility

**Product Quality and Safety Control Procedures**

The Group has put in place a comprehensive Quality Management System to evaluate product quality. We have also established our product traceability system that gives us the capability to trace any batch of products (cars) that we have detected an issue. Our early warning system warns us of any product quality issues and this enables us to fix potential issues as soon as they appear. Our Quality Management System also satisfies the rules and regulations as stipulated by the PRC's government regarding the quality and safety of automotive products.

Due to the paramount importance of product quality and safety in our business, the Group has established a Product Quality and Safety Committee, an internal management committee that is responsible for the Group's product quality and safety issues. This committee is responsible for taking the necessary actions to handle and solve any product quality issues that arise.

Our Quality Management System adheres to TS16949 and QS9001, two important international technical specifications.

**Monitoring Customer Satisfaction and Collecting Customer Feedback**

We strive to maintain a high level of customer satisfaction. Collecting feedback from our customers is crucial for monitoring customer satisfaction. To this end, we employ our frontline service stations to collect feedback from the final consumer or end users of our products. We also collect feedback from our auto dealers, which carry our products and help us distribute our products to our end users. We collect information regarding our product design, product quality and customer service to obtain their opinions and suggestions.

In 2015, we achieved a high level of customer satisfaction. Based on the customer satisfaction surveys that we have conducted through telephone interviews and face-to-face interviews with customers, the findings showed that we achieved a high customer satisfaction rate. Among which, hot line 4008555050 has commenced operation, which helps to enhance the procedural, professional and standardised management processes of the external communication system.

We have a systematic way of communicating the customer feedback information throughout our organization. After our frontline service stations collects feedback from the customers, that feedback is communicated to our regional branches and head office. At our head office, we carry out an analysis on the collected information and report our findings to our quality control department. If necessary, our quality control team will implement improvement measures.

Customers are encouraged to provide us comments or ideas for improvement by telephone, written letter or email.

**Providing Customers a High Standard of Service**

To provide customers a high standard of customer service, we have established a 24-hour customer service hotline and an extensive service network in China to provide servicing to our customers. In 2015, we operated 400 service stations situated over 18 geographic service areas that were supervised by 22 regional service managers.

### Anti-Corruption

In fighting against corruption, the Group has communicated its stance against corruption to its employees. Furthermore, the Group has put in place a set of regulations and monitoring system as measures to combat corruption. At the same time, the Group strictly adheres to the rules and regulations relating to anti-corruption as set out by the government of the PRC.

The Group has established its 'Self-Discipline Regulations for Senior Executives', a set of rules and regulations that apply to all supervisory staff and management personnel within the Group. We have put in a place a strong monitoring system to monitor and ensure that these rules and regulations have been followed.

Each year, the Group conducts a comprehensive inspection to ensure there is no violation of the anti-corruption rules. If we detect or suspect a violation of the anti-corruption rules, we will then take action according to the severity of the violation. We adhere to the Government's Regulation of the Communist Party of China on Disciplinary Actions regarding anti-corruption and our own set of disciplinary measures to take the necessary disciplinary actions.

## COMMUNITY INVOLVEMENT

We at the Wuling Group believe in giving back to society. We invest our time, energy and resources on making improvements in our communities. Our efforts are focused on helping those who are underprivileged or disadvantaged, as well as making improvements to the living conditions within our communities. Supporting and nurturing youths is also one of our core initiatives due to their key role in shaping the future of our country.

In 2015, we have cooperated with our employees, business partner, community members and other volunteers to carry out a number of community concern activities. In the coming years, we wish to continue to work hand-in-hand with our fellow volunteers to develop and implement community concern programs that make a world of difference.

### Community Investment

**Caring for Underprivileged Children**

To help underprivileged children in China, we have established the 'Wuling Discovery Voyage', an annual event where our employee volunteers travel around China to provide useful supplies to underprivileged children. We have organized this event twice. The inaugural event was launched in 2013 and we have held it again in 2014. During the 2014 Wuling Discovery Voyage, our employee volunteers traveled a distance of 15,000 kilometers to visit 10 Chinese provinces including Guangxi, Yunnan, Sichuan, Qinghai, Gansu, Ningxia and Shaanxi to provide the underprivileged children living in those provinces with useful supplies.

In 2015, we organized the first 'In Search of the Most Gorgeous Pre-school Educators' community function in co-operation with the Xiaochechina.com. This function which lasted for more than two months was to recommend and evaluate the candidates of pre-school educators from a number of 13 provinces and cities in electing the top ten most outstanding pre-school educators for awarding the prizes of 'The Top Ten Most Gorgeous Pre-school Educators'.

In 2015, the Group organized young volunteers to undertake community caring trips to our services targets including the Hope Primary Schools located in the mountainous areas, children of the farm workers, welfare institutes and left-behind children, etc. Through charity bazaars, materials raising and donations, we have donated sporting goods, clothes, education items, books and financial aids to Sanjiang County Wuling Primary School, Yong Hua Primary School and Rongshui County, etc.

**Engaging Youths in our Community**

Working with youths is one of our core community concern initiatives. Through our efforts in reaching out to youths, we aim to inspire them to reach their full potential.

In engaging youths, we organize young volunteers in co-operation with various youth organizations in China to undertake various community programmes with the hospitals and schools. We also organize young employees to participate in the community sport functions and launch the interflow programmes for badminton.

**Greening the Environment**

In greening the environment, we have planted trees around our community and revamped the grass fields with new grass. Through this program, we strive to create a better living environment for our community members.

2015 marked the eleventh consecutive year we planted trees to build a greener environment. In 2015, we planted osmanthus trees, bauhinia, etc to replacing the worn out grass in the community.

**Upgrading Community Infrastructure**

In 2015, we partnered with our long-term business partner SGMW to create and implement a community infrastructure improvement project. This project aimed to improve the living conditions for our fellow community members and called for the Guangxi Automobile Group and SGMW to carry out various improvements to the community's infrastructure.

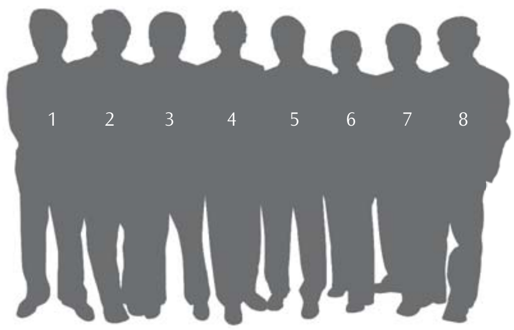
Through this joint-venture project, we modified the clean water supply system, tidied up the septic tanks and improved the hygienic issues relating to the polluted water in the region.

Besides, we reconstructed certain roads in the region, improved the hygienic standard and undertook building maintenance of the quarters for the singles, repaired the grand hall. The basketball pitch in the region was subjected to upgraded reconstruction so as to provide a better and safer activity playground.

**Commencement of the Target Poverty Project**

In 2015, we commenced the Target Poverty Project. We make various kinds of donations to the target poverty village located in Jinxiu Xian, Zhangtong Xiang, Pingmeng Cun in Guangxi including road repair subsidies, new year consolation money to the families with difficulties, school tuition fees to university students, clothes, sporting goods, repairs and medicine, etc for the purpose of directing the financial aid to the most in need families and people in the community.

# DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES




1. Mr. Wang Yuben
2. Mr. ZHONG Xianhua
3. Mr. SUN Shaoli
4. Mr. WEI Hongwen
5. Mr. LEE Shing
6. Ms. LIU Yaling
7. Mr. ZUO Duofu
8. Mr. YE Xiang

# EXECUTIVE DIRECTORS

**Mr. WEI Hongwen**
*Chairman*

Mr. Wei, aged 53, Chairman of the board of directors and the Nomination Committee, was appointed as Executive Director on 10 September 2007. Mr. Wei obtained a master degree in economics from Sun Yat-Sen University in 1995 and is a professor level senior engineer. Mr. Wei has more than 30 years' of experience in the automobile manufacturing industry. Mr. Wei currently holds director position in certain subsidiaries and members of the Group. Mr. Wei is currently the chairman of the board of directors and the chief executive of Guangxi Automobile Holdings Limited* ("Guangxi Automobile") 廣西汽車集團有限公司, the ultimate controlling shareholder of the Company, and a director of Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") and Wuling (Hong Kong) Holdings Limited ("Wuling HK"), being controlling shareholder of the Company, which are beneficially interested in approximately 56.5% of the total issued share capital of the Company. Mr. Wei is also currently the chairman of the board of director and the chief executive of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), a principal subsidiary of the Company and is established in accordance with the sino-foreign equity joint venture agreements entered into by the Company and Guangxi Automobile. Mr. Wei is also the vice chairman of SAIC-GM-Wuling Automobile Co., Ltd. ("SGMW"), which is a joint venture formed among Shanghai Automobile Industry (Group) Company, General Motors China and Guangxi Automobile.

* For identification purpose only

**Mr. LEE Shing**
*Vice-chairman and Chief Executive Officer*

Mr. Lee, aged 58, Vice-chairman of the board of directors and the Chief Executive Officer, was appointed as Executive Director on 22 June 2006 and is currently a member of the Nomination Committee. Mr. Lee has extensive experience in the trading and manufacturing business in Hong Kong and the PRC. Mr. Lee currently holds director position in certain subsidiaries of the Group. Mr. Lee is the vice-chairman of Wuling Industrial, as well as a director of Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji", a subsidiary of Wuling Industrial). Besides, he is currently a member of the Committee of the Chinese People's Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is the sole shareholder and sole director of Dragon Hill Development Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 15.5% of the total issued share capital of the Company. Besides, Mr. Lee is an executive director of Recyctec Holding AB, a company listed on Aktie Torget, Sweden.

**Mr. SUN Shaoli**
*Executive Director*

Mr. Sun, aged 61, was appointed as Executive Director on 10 September 2007. Mr. Sun obtained a master degree in business administration from Harbin Industrial University in 1988 and is a senior economist. Mr. Sun has more than 30 years' of experience in the automobile manufacturing industry. Mr. Sun currently holds director position in certain subsidiaries and members of the Group. Mr. Sun is currently a director of the board of Guangxi Automobile, the ultimate controlling shareholder of the Company, Wuling Motors and Wuling HK, which are directly and indirectly wholly-owned subsidiaries of Guangxi Automobile. Wuling HK is currently the controlling shareholder of the Company which is beneficially interested in approximately 56.5% of the total issued share capital of the Company.

**Mr. ZHONG Xianhua**
*Executive Director*

Mr. Zhong, aged 57, was appointed as Executive Director on 4 January 2010. Mr. Zhong currently holds director position in certain subsidiaries and members of the Group. Mr. Zhong is currently a director of Wuling Industrial and the vice president of Guangxi Automobile, the ultimate controlling shareholder of the Company. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer and has over 28 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

**Ms. LIU Yaling**
*Executive Director*

Ms. Liu, aged 40, was appointed as Executive Director on 22 June 2006. Ms. Liu currently holds director position in certain subsidiaries of the Group. Ms. Liu has a post graduate education background. She is a qualified accountant in the PRC specializing in financial management. Ms Liu gains her working experience in the automobile manufacturing industry and has approximately 17 years' of experience in the finance and accounting profession in the PRC. Ms. Liu is a member of the International Association of Registered Financial Planners and an associate member of the Institute of Financial Accountants

# INDEPENDENT NON-EXECUTIVE DIRECTOR

**Mr. ZUO Doufu**
*Independent Non-executive Director*

Mr. Zuo, aged 72 was appointed as Independent Non-executive Director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has more than 30 years of experience in the media industry in the PRC. He is currently a representative of Congress of Writers' Representatives in the PRC and a member of president group of Guangdong Writer Association. Mr. Zuo is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

**Mr. YE Xiang**
*Independent Non-executive Director*

Mr. Ye, aged 52, was appointed as Independent Non-executive Director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited ("Vision Gain"), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 20 years' of experience in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his founding of Vision Gain, Mr. Ye was the director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye is currently the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

**Mr. Wang Yuben**
*Independent Non-executive Director*

Mr. Wang, aged 60, was appointed as an Independent Non-executive Director on 20 March 2015. Mr. Wang obtained a doctorate degree in economic law from the school of law of the Renmin University of China. He is currently an arbitrator of Beijing Arbitration Commission and the executive officer of the research centre of direct marketing of the Peking University. Mr. Wang has more than 30 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Besides, Mr. Wang is currently an independent non-executive director of Xinjiang Luntai Grand Oil Tech Co., Ltd. (新疆格瑞迪斯石油技術股份有限公司). Mr. Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

## SENIOR MANAGEMENT

**Mr. ZHOU Sheji**

Mr. Zhou, aged 58, currently the vice general manager of Wuling Industrial, our principal subsidiary, is responsible for the purchase division of the automotive components and other industrial services division. Mr. Zhou also served as Executive Director from 10 October 2008 to 17 July 2015. Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 27 years' of aggregate experience in the management of a number of business sectors in China such as automobile industry, construction, international trade and information technology sectors.

**Mr. LAI Shi Hong, Edward**

Mr. Lai, aged 51, currently Chief Financial Officer and Company Secretary of the Company, is responsible for overseeing our finance, accounting and company secretarial functions. He is also a director of Wuling Industrial. Mr. Lai has more than 28 years' of experience in finance, accounting and business management. Mr. Lai graduated from the University of Hong Kong and the Hong Kong Baptist University and holds a Bachelor of Arts degree and a Master of Science degree in Corporate Governance and Directorship respectively. He is currently a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a Member of the Institute of Chartered Accountants in England and Wales .

**Mr. YUAN Zhijun**

Mr. Yuan, aged 49, is currently a director of Wuling Industrial, principal subsidiary of the Company. He is also the vice general manager of SGMW. Mr. Yuan graduated from the Huazhong University of Science and Technology with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan has over 29 years' of extensive experience in the production, product design and development, human resources and corporate management of the automotive components industry.

**Mr. YANG Jianyong**

Mr. Yang, aged 47, is currently the vice general manager of Wuling Industrial, our principal subsidiary. He is also a director of Wuling Liuji, and is the vice general manager of Guangxi Automobile, the ultimate controlling shareholder of the Company. Mr. Yang graduated from the Faculty of Accounting in the Central South University and holds a master degree in Accountancy from The Chinese University of Hong Kong. His profession is accountant. Mr. Yang has been working in the accounting profession for about 26 years, and has extensive experience in cost management and the corporate financial system institutionalization aspects. Prior to his joining the Wuling Industrial, Mr. Yang was the senior finance executive controller of SGMW.

**Mr. WEN Daizhi**

Mr. Wen, aged 52, is currently the chief engineer of Wuling Industrial and chairman of the board of director of Wuling Liuji, both of them being principal subsidiaries of the Company. Mr. Wen is also currently the chief engineer of Guangxi Automobile, the ultimate controlling shareholder of the Company. Mr. Wen graduated from the Engineering Thermophysics Department of Tianjin University majoring in combustion engine — internal and possessed a postgraduate qualification in Power Machinery and Engineering of Guangxi University. His profession is senior engineer. Mr. Wen has over 30 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

**Mr. CHEN Xiaofeng**

Mr. Chen, aged 41, is currently the vice general manager and also the general manager of the sales office of Wuling Industrial, a principal subsidiary of the Company. Mr. Chen is also currently assistant to the general manager of Guangxi Automobile, the ultimate controlling shareholder of the Company. Mr. Chen graduated from the College of Material Science and Engineering of Chongqing University. His profession is engineer. Mr. Chen has been engaged in the automobile industry in China since his joining to Guangxi Automobile in 1997. He has over 18 years' of extensive experience in the production operation, purchasing and supply chain management of the car assembly and automotive components industry.

**Mr. LI Weimin**

Mr. Li, aged 53, is currently the vice general manager and also the senior controller of the production department of Wuling Industrial, a principal subsidiary of the Company. Mr. Li graduated from Nanchang Hangkong University majoring in forging processes and equipment. His profession is senior engineer. Mr. Li has over 30 years' of extensive experience in the production management and quality control of the automotive components industry.

**Mr. LI Huanyu**

Mr. Li, aged 53, is currently the vice general manager of Wuling Industrial and the general manger of Wuling Liuji, both of them being principal subsidiaries of the Company. Mr. Li graduated from Wuhan College of Engineering majoring in agricultural machinery and is also a post-graduate student of the Department of Mechanical Manufacturing and Automotion of Guangxi University. His profession is senior engineer. Mr. Li has over 30 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

**Mr. WEI Mingfeng**

Mr. Wei aged 41, is currently the vice general manager and also the senior controller of the production and manufacturing department of Wuling Industrial, a principal subsidiary of the Company. Mr. Wei graduated from Tianjin University majoring in Chemical Mechanical Engineering and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is an engineer. Mr. Wei has over 18 years' of extensive experience in business operations, production management and quality control of the automotive components industry.

**Mr. LIU Yourong**

Mr. Liu, aged 44, is currently the assistant general manager and financial controller of Wuling Industrial, a principal subsidiary of the Company. Mr. Liu graduated from China University of Mining majoring in Accounting and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is senior accountant. Mr Liu has over 21 years' of extensive experience in cost management and institutionalization of the financial system.

# CORPORATE GOVERNANCE REPORT

The board of directors ("Board") of the Company is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2015.

The key corporate governance principles and practices of the Company are summarized as follows:

## CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") sets out the principles of good corporate governance ("Principles") and two levels of corporate governance practices:

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

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

During the financial year ended 31 December 2015, the Company has applied the Principles and complied with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

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

## THE BOARD

### Responsibilities

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

The overall management of the Company's business is currently vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors of the Company (the "Director(s)") should take decisions objectively in the best interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

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

The Company has arranged appropriate liability insurance coverage for all Directors, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc, which is reviewed by the Board on a regular basis.

All Directors have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in Bermuda and Hong Kong are followed.

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

The day-to-day management, administration and operation of the Company are normally delegated to the senior management of the Company (the "Management") and the delegated functions and work tasks have been formalised and periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions, arrangements and/or contracts entered into by the Management.

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

## Composition

The nomination committee of the Company ensures the composition of the Board a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current composition of five executive Directors and three independent non-executive Directors can effectively exercise independent judgment.

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

### Executive Directors

Mr. Wei Hongwen *(Chairman)*
Mr. Lee Shing
*(Vice-chairman and Chief Executive Officer)*
Mr. Sun Shaoli
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji *(Resigned on 17 July 2015)*

### Independent Non-Executive Directors

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben *(appointed on 20 March 2015 and then was re-elected by the Shareholders on 5 June 2015)*
Mr. Yu Xinmin *(resigned on 20 March 2015)*

Mr. Wang Yuben was appointed by the Board as an independent non-executive Director, a member of each of the nomination committee, audit committee and remuneration committee of the Company in place of the resignation of Mr. Yu Xiumin as an independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and the remuneration committee of the Company, all with effect from 20 March 2015.

Mr. Wang Yuben retired as Director from the Board at the 2015 annual general meeting of the Company held on 5 June 2015 in accordance with the Company's bye-law 91 and then re-elected as Director by the Shareholders in the same meeting.

The biographical details of the current Directors are set out in the section headed "DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES" from pages 35 to 39 in this annual report and are available on the Company's website (www.wuling.com.hk).

Messrs. Wei Hongwen, Sun Shaoli and Zhong Xianhua who were appointed as Director on 10 September 2007, 10 September 2007 and 4 January 2010 respectively, were nominated respectively by Guangxi Automobile Holdings Limited* 廣西汽車集團有限公司, the ultimate controlling Shareholder.

Save as abovementioned, the Board members has no financial, business, family or other material/relevant relationships with each other.

The list of Directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Company also maintains on its website (www.wuling.com.hk) and on the Stock Exchange's website an updated list of its current Directors (by category) identifying their role and function.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the rule 3.13 of the Listing Rules. The Company and the nomination committee of the Company has considered all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors keep bringing a wide range of business and financial expertise, skills, experiences and independent judgment on the issues of strategy, policy, performance accountability, resources, key appointments, connected transactions and standards of conduct to the Board. Through regular attendance and active participation in Board and committees of the Board meetings and/or general meetings of the Company, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction and performance of the Company. One of the independent non-executive Directors possesses the appropriate professional qualifications, or accounting or related financial management expertise.

The Company has adopted the board diversity policy and has posted it on the Company's website (www.wuling.com.hk). The nomination committee of the Company has been delegated by the Board to review the size, structure and composition of the Board on an annual basis.

* For identification purpose only

## Appointment, Re-election and Resignation of Directors

The Company has established formal, considered and transparent procedures and criteria for the appointment, re-election, resignation, re-designation, retirement and/or removal of the Director(s) in accordance with the Company's bye-laws, the Listing Rules and all applicable laws.

Pursuant to the Company's bye-laws and/or the Code Provisions of the Listing Rules, at each annual general meeting of the Company not less than one-third of the Directors for the time being shall retire from the Board by rotation provided that each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

During the year, Messrs. Wei Hongwen and Lee Shing, Ms. Liu Yaling and Mr. Wang Yuben retired from the Board and were re-elected as the Directors by the Shareholders respectively in accordance with the Company's bye-laws and the Listing Rules by separate resolutions passed by the Shareholders in the 2015 annual general meeting of the Company held on 5 June 2015.

The Company has entered into service contracts with all the independent non-executive Directors, namely Messrs. Zuo Duofu, Ye Xiang and Wang Yuben for a specific term of three years who are also required to retire from the Board by rotation and then re-election by the Shareholders at the annual general meeting of the Company in accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules.

For independent non-executive Directors who has served the Company for more than nine years, his/her further appointment will be subject to a separate resolution to be approved by the Shareholders at the annual general meeting of the Company and the papers to the Shareholders accompanying the reasons why the Board believes he/she is still independent and should be re-elected.

The nomination committee of the Company is responsible for reviewing the Board composition and diversity of the Board, developing and formulating the relevant procedures for nomination and appointment of the Directors, monitoring the re-appointment and succession planning of the Directors and assessing the independence of each independent non-executive Director.

In accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules, Mr. Zhong Xianhuan, executive Director, Messrs. Zuo Duofu and Ye Xiang, independent non-executive Director (the "Retiring Director(s)), will retire from the Board by rotation at the conclusion of the annual general meeting of the Company to be held on 2 June 2016 ("2016 AGM") and, being eligible, offer themselves for re-election as Directors by the Shareholders at the 2016 AGM. Mr. Zuo Duofu ("Mr. Zuo") has served as an independent non-executive Director for more than 9 years in his further re-election as Directors at the 2016 AGM. During his 9 years of tenure, Mr. Zuo has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding during his years of service as an independent non-executive Director, the Board and the Nomination Committee is of the view that Mr. Zuo is able to continue to fulfill his role as required and thus recommended him for re-election at the 2016 AGM in accordance with the Listing Rules. Mr. Zuo has made a written annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Board and the nomination committee of the Company has also recommended the re-election of all the Retiring Directors standing for re-election at the 2016 AGM.

Detailed information of all the Retiring Directors standing for re-election at the 2016 AGM together with the explanation to the Shareholders accompanying the reasons why the Board believes Mr. Zuo, who has served the Company for more than nine year in his further re-election at the 2016 AGM, is still independent and should be re-elected be fully described in the Company's circular as per the Listing Rules, which will be dispatched to Shareholders with this annual report.

## Training for Directors

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the group structure, Board procedures, business, management and operations of the Company, etc and that he/she is fully aware of his/her responsibilities and obligations under the Company's bye-laws, the Companies Ordinance, the Listing Rules and relevant applicable regulatory requirements in Bermuda and Hong Kong.

An induction programme covering the roles of Director from the strategic, planning and management perspective, as well as the essence of corporate governance and the trends in these areas, were therefore arranged for Mr. Wang Yuben, an independent non-executive Director, when he joined the Board in March 2015.

The Company keeps circulating information and materials to develop and refresh Directors' knowledge and skills. Besides, the Chief Financial Officer, Company Secretary and/or the Management also briefed Directors namely, Mr. Wei Hongwen, Mr. Lee Shing, Mr. Sun Shaoli, Mr. Zhong Xianhua, Ms. Liu Yaling, Mr. Zhou Sheji, Mr. Zuo Duofu, Mr. Ye Xiang, Mr. Wang Yuben and Mr. Yu Xiumin from time to time the relevant information which are related to the Group's business development, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

## BOARD MEETINGS

### Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximate quarterly interval for reviewing and approving financial, operating performance, corporate governance, rules and regulations and the progress of the various on-going projects, and considering and approving the overall strategies and policies of the Company.

The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities, during the year ended 31 December 2015, a total number of four (4) regular Board meetings, two (2) audit committee meetings, one (1) remuneration committee meeting and one (1) nomination committee meeting were held by the Company.

During the year, the Board has regularly reviewed the contributions from each Director and confirmed that they have spent sufficient time performing their responsibilities. The individual attendance records of each Director at the meetings of the Board, the audit committee of the Company ("Audit Committee" or "AC"), the remuneration committee of the Company ("Remuneration Committee" or "RC") and the nomination committee of the Company ("Nomination Committee" or "NC"), as well as the Shareholders' meeting(s) (annual general meeting as "AGM" and special general meeting as "SGM", if any) during the year ended 31 December 2015 are set out below:

| | Attendance record of Directors at the meetings in 2015 | | | | |
|---|---|---|---|---|---|
| **Name of Directors** | **AGM** | **Board** | **AC** | **RC** | **NC** |
| **No. of Meeting(s)** | 1 | 4 | 2 | 1 | 1 |
| *Executive Directors* | | | | | |
| Mr. Wei Hongwen *(Chairman)*[(1)] | 1/1 | 4/4[(2)] | N/A | N/A | 1/1 |
| Mr. Lee Shing *(Vice-chairman)* | 1/1 | 4/4 | N/A | N/A | 1/1 |
| Mr. Sun Shaoli | 0/1 | 4/4[(3)] | N/A | N/A | N/A |
| Mr. Zhong Xianhua | 0/1 | 4/4 | N/A | N/A | N/A |
| Ms. Liu Yaling | 1/1 | 4/4 | N/A | N/A | N/A |
| Mr. Zhou Sheji[(4)] | 1/1 | 2/2 | N/A | N/A | N/A |
| *Independent Non-executive Directors* | | | | | |
| Mr. Zuo Duofu | 1/1 | 4/4 | 2/2 | 1/1 | 1/1 |
| Mr. Ye Xiang | 0/1 | 4/4 | 2/2 | 1/1 | 1/1 |
| Mr. Wang Yuben[(5)] | 1/1 | 4/4 | 2/2 | 1/1 | 1/1 |
| Mr. Yu Xiumin[(6)] | N/A | N/A | N/A | N/A | N/A |

Notes:

(1) Mr. Wei Hongwen was re-designated as Chairman of NC on 20 March 2015.

(2) One meeting was attended by Mr. Sun Shaoli as alternate.

(3) One meeting was attended by Mr. Zhong Xianhua as alternate.

(4) Mr. Zhou Sheji resigned on 17 July 2015.

(5) Mr. Wang Yuben was appointed on 20 March 2015.

(6) Mr. Yu Xiumin resigned on 20 March 2015.

### Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting of the Board and the committees of the Board ("Committees") are normally made available to Directors and members in advance.

Notices and Agenda of regular Board meetings are served to all Directors at least 14 days before the meetings. Directors may include any of his/her concerns in the agenda. For other Board and the Committees' meeting, reasonable notice is generally given.

Board and Committees papers together with all appropriate, complete and reliable information are sent to all Directors and Committees' members at least 3 days or in a timely manner before each Board meeting and Committee meeting to keep the Directors and Committees' members apprised of the latest developments and/or financial position of the Company and to enable them to make informed decisions. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board and Committees receive appropriate and timely information and that Board and Committees procedures, and all applicable rules and regulations, are being followed. The Board and each Director and Committees' member also have separate and independent access to the Management for making further enquiries.

The responsible senior management currently attends Board meetings and Committee meetings to advise on business developments, operation performance, various on-going projects, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The responsible senior management or company secretary of the Company take and keep minutes of all Board meetings and Committee meetings. Draft minutes record in sufficient details the matters discussed and resolved, and these minutes are normally circulated to all the Directors and Committees' members for comments (if any) within a reasonable time after each meeting and the final version is open for Directors' and Committees members' inspection.

During the year and up to the date of this report, the Management provide all Directors with monthly updated and detailed financial position, operation performance and prospects of the Group and the progress of the various on-going projects to enable them to discharge their duties.

The Company's bye-laws and the Listing Rules contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at Board and/or Committees' meetings for approving transactions, arrangements and/or contracts in which such Directors or any of their associates have a material interest. Independent non-executive Directors take lead when potential conflicts of interest arise. Independent Board Committee comprising all independent non-executive Directors has been and will be formed to advise the independent Shareholders on those connected transactions to be approved by the independent Shareholders at the special general meeting of the Company.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company observes the principle that there should be a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility of the running of the Company's business, so as to ensure a balance of power and authority and to avoid the concentration of power and responsibilities on an one individual.

During the year, the Chairman of the Board is Mr. Wei Hongwen, whereas, the Chief Executive Officer of the Company is Mr. Lee Shing respectively, who have no relationship with each other. The roles of the Chairman and the Chief Executive Officer have been segregated and assumed by them separately such that Mr. Wei Hongwen, the Chairman of the Board, has executive responsibilities and provides leadership to the Board in terms of establishing policies, strategies and business directions of the Company. He ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. He takes primary responsibility for ensuring that good corporate governance practices and procedures are established and followed. He has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company and the Shareholders as a whole. Mr. Lee Shing, as the Chief Executive Officer, has been delegated with the authorities for the overall management and operations of the Group.

During the financial year ended 31 December 2015, the Chairman of the Board has held one meeting with the independent non-executive Directors without the other executive Directors present. The Chairman of the Board has encouraged Directors with different views to voice their concerns, allowed sufficient time for discussion of issues and ensured that Board decisions fairly reflect Board consensus. The Chairman of the Board supported a culture of openness and debate by facilitating the effective contribution of independent non-executive Directors in particular and ensuring constructive relations between executive and independent non-executive Directors. The Chairman of the Board keeps effective communication channel with the Shareholders and ensure the Shareholders' views are communicated to the Board as a whole.

## BOARD COMMITTEES

The Board has established three Committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Committees have been established with defined written terms of reference. The terms of reference of the Committees, amended from time to time, are disclosed in the websites of the Company (www.wuling.com.hk) and the Stock Exchange and are available to Shareholders upon request.

The members of the Audit Committee and the Remuneration Committee at present are all independent non-executive Directors, whereas, the majority members of Nomination Committee comprises independent non-executive Directors. The list of the chairman and members of each Committee is set out under "CORPORATE INFORMATION" in this annual report.

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

### Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive Directors including Mr. Zuo Duofu (chairman of Remuneration Committee), Mr. Ye Xiang and Mr. Wang Yuben (who replaced Mr. Yu Xiumin with effect from 20 March 2015). The biographical details of the current Directors are set out in the section headed "DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES" from pages 35 to 39 in this annual report.

The Remuneration Committee normally meets at least once a year. The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of all Directors and the Management. The Remuneration Committee is also responsible for establishing a formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates be participated in deciding his/her own remuneration, which remuneration be determined by reference to the duties and responsibilities of Directors in the Group, business performance, profitability and market conditions. The Human Resources Department is responsible for the collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration and assessment. The Remuneration Committee consults the Chairman of the Board about these recommendations on remuneration policy and structure as well as the remuneration packages.

The Remuneration Committee held one (1) meeting during the year ended 31 December 2015 for, inter alia, reviewing annually the policy for the remuneration of Directors and the Management and procedures for fixing the remuneration package, assessing the performance of all Directors, making recommendation on the remuneration packages of all Directors and the Management, considering the grant of share options, approving the adjustment to the Directors' salary, the terms of service contracts to be entered with the independent non-executive Directors and/or other related matters. The attendance records of the meeting of the Remuneration Committee during the year ended 31 December 2015 are set out under the section of "Board Meetings" on page 45.

## Audit Committee

The Audit Committee currently comprises three independent non-executive Directors including Mr. Ye Xiang (chairman of the Audit Committee), Mr. Zuo Duofu and Mr. Wang Yuben (who replaced Mr. Yu Xiumin with effect from 20 March 2015), among them one independent non-executive Director possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee was a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports of the Company and consider any significant or unusual items raised by the responsible staff of accounting and financial report function, compliance officer (if any), internal auditor or external auditors of the Company before submission to the Board.

(b) To review the relationship with the external auditors of the Company and its independence by reference to the work performed and services provided by the external auditors of the Company, their fees, their firm's standards and practices and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and/or removal of external auditors of the Company.

(c) To review the continued connected party transactions as disclosed in the annual report and confirm that those transactions entered into by the Group were (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

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

During the year, the Board has approved and adopted a revised terms of reference of the Audit Committee to incorporate the amendments required under the new Listing Rules in relation to risk management and internal control systems.

The Audit Committee held two (2) meetings during the year ended 31 December 2015 to review, assess and comment on the audited consolidated financial statement for the year ended 31 December 2015 and reports, the unaudited consolidated financial statement for the six months ended 30 June 2015 and its report, the management account for the three months ended 31 March 2015 and for the nine months ended 30 September 2015, respectively, the change of composition of the Audit Committee, the connected and continuing connected transactions, financial reporting and compliance procedures, the Company's internal control system and risk management system, review and processes and the re-appointment of the external auditors of the Company in the 2016 AGM. The attendance records of the meetings of the Audit Committee during the year ended 31 December 2015 are set out under the section of "Board Meetings" on page 45.

## Nomination Committee

The Nomination Committee currently comprises Mr. Wei Hongwen, Chairman of the Board (who replaced Mr. Yu Xiumin with effect from 20 March 2015 as chairman of the Nomination Committee), three independent non-executive Directors including Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

The primary objectives of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, making recommendations on the any proposed changes to the Board, proposing the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors; reviewing the board diversity with reference to the Board Diversity Policy and commenting the Directors' rotation from the Board in each annual general meeting of the Company and office succession planning for Directors in particular the Chairman and the Chief Executive Officer.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

(a) With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

(b) In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

(c) All Board appointments be based on meritocracy, and candidates be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee held one (1) meeting during the year ended 31 December 2015 and held one meeting after 31 December 2015 to, inter alia, review the policy for the nomination of Directors, monitor the composition and effectiveness of the Board, evaluate the performance of the Board, assess the independence of each independent non-executive Director (especially for Mr. Zuo Duofu, who has served the Company over 9 years in his further re-election at the 2016 AGM), consider the appointment of a new independent non-executive Director and the resignations of an executive Director and an independent non-executive Director, review the service contracts to be entered with the independent non-executive Directors, evaluate the diversity of the Board and identify those Directors to be retired from the Board by rotation in the 2016 AGM, and then be re-elected as Director in the same meeting in accordance with the Company's bye-laws and the Listing Rules. The attendance records of the meeting of the Nomination Committee during the year ended 31 December 2015 are set out under the section of "Board Meetings" on page 45.

## CORPORATE GOVERNANCE

The Board is responsible for performing the corporate governance duties, which includes developing and reviewing the Company's policy and practices on corporate governance, assessing and monitoring the training and continuous professional development of Directors and senior management as well as the code of conduct and compliance manual. During the year ended 31 December 2015, the Board reviewed, monitored and assessed the policy and practices on corporate governance, training and continuous professional development to Directors and the Management, policies and practice on compliance with legal and regulatory requirement, the compliance with the Company's securities (own code) on term no less exacting than the Model Code (defined below) under the Listing Rule and disclosure requirements in this Corporate Government Report.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers, 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.

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

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

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Company for the year ended 31 December 2015 by the auditors about their reporting responsibilities. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board receives from the Management monthly management accounts, explanation and analysis of the operation performance of the Group and relevant information which enable the Board to make an informed assessment for approving the financial statements.

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the audited consolidated financial statements for the year ended 31 December 2015 is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 64 and 65 in this annual report.

Apartment from the provision of audit services, Deloitte Touche Tohmatsu, the Company's external auditor, also carried out interim review of the Group's results and provided other financial services in compliance with the requirements under the Listing Rules and other statutory requirements.

For the year ended 31 December 2015, Deloitte Touche Tohmatsu, the external auditor of the Company received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

| | 2015<br>RMB'000 |
|---|---|
| Annual audit services | 1,532 |
| Interim review services | 528 |
| Other services | 438 |

## INTERNAL CONTROL SYSTEM

The Board is responsible for maintaining an adequate internal control system to safeguard the Shareholder investments and the Company and its subsidiaries assets, and reviewing the effectiveness of such on an annual basis with participation of the Audit Committee. The review covers all material controls, including financial reporting system, operational and compliance controls and risk management system as well as the adequacy of resources, qualifications and experiences of staff of the Company's accounting and financial reporting system, and their training programmes and budget. The Group has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the Management.

The Group which engages in the businesses of the trading and manufacturing of engine, automotive components and other industrial services and the specialized vehicles, has established budgetary and internal control systems which are designed and structured in accordance with its specific business and operation functions.

An internal audit department is also maintained to carry out the internal audit functions to ensure proper compliance with the internal control systems and to identify the potential risks which may arise in the operation for implementation of appropriate measures and policies. The internal audit department executes their functions based on a yearly plan and prepares reports for their assignments. These reports are submitted to the Management, the Board and the Audit Committee for review on a regular basis.

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

## SHAREHOLDERS' RIGHTS

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting of the Company and state the purpose therefore at the Company's registered office in Bermuda at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company has adopted Communications Policy with Shareholders and investors of the Company that provide ready, equal and timely access to understandable information about the Company, the policy is posted on the Company website (www.wuling.com.hk). The Board is welcome to Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to bye-law 89 of the Company, if a Shareholder wish to propose a person other than a retiring Director for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the head office of the Company at the within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company website (www.wuling.com.hk).

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company acknowledges the importance of maintaining effective communication with the Shareholders and the investment community and has established a Shareholders' communication policy and review it regularly. Each general meetings of the Company provides a forum for communication between the Board and the Shareholders.

During the year either Mr. Wei Hongwen, Chairman or Mr. Lee Shing, the Vice-Chairman and the Chief Executive Officer attended the Shareholders' meeting(s) held by the Company. Mr. Wei Hongwen, the Chairman, and Mr. Lee Shing, the Vice Chairman, will use their endeavours to attend all future shareholders' meetings of the Company.

The Chairman of the Board did and would arrange for the chairman and/or member of Remuneration Committee, Nomination Committee and Audit Committee be available to answer questions at each annual general meeting of the Company. The chairman or a member of the independent board committee did and would also be available to answer questions at any general meeting of the Conmpany to approve connected transaction(s) or any other transaction that is subject to independent Shareholders' approval.

The Board did and would arrange the external auditor of the Company to attend every annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

An explanation of the detailed procedures for conducting a poll did and would be explained in every general meeting of the Company.

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

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

# REPORT OF THE DIRECTORS

The directors of the Company ("Directors") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the sections of "CHAIRMAN'S STATEMENT", "REPORT OF THE CEO", "OPERATION REVIEW", "FINANCIAL REVIEW" and "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW" set out on pages 2 to 33 of this annual report, these sections form part of this report of the Directors.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the sections of "CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME" of this annual report on page 66.

The Directors recommended the payment of a final dividend of HKD0.75 cent per ordinary share of the Company (the "Share(s)") for the year ended 31 December 2015 (the "Final Dividend") (2014: HKD0.5 cent) to the shareholders of the Company (the "Shareholder(s)"), whose names shall be on the register of members of the Company on 15 June 2016, amounting to approximately RMB11,390,000, subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on 2 June 2016 (the "2016 AGM").

## CLOSURE OF REGISTER OF MEMBERS

### For Attendance of 2016 AGM

The register of members of the Company will be closed from Tuesday, 31 May 2016 to Thursday, 2 June 2016 (both dates inclusive), for the purpose of determining the Shareholders eligibility to attend and vote at the 2016 AGM and during which period no transfer of the Shares will be effected. In order to qualify for attendance of the 2016 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, 30 May 2016.

### For Entitlement to Final Dividend

The register of members of the Company will be closed from Monday, 13 June 2016 to Wednesday, 15 June 2016 (both days inclusive), for the purpose of determining the Shareholders' entitlement to the Final Dividend and during which period no transfer of the Shares 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 Friday, 10 June 2016.

## RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of this annual report on page 69.

## DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in the reserves of the Company during the year are set out in note 44(i) to the consolidated financial statements of this annual report.

As at 31 December 2015, the Company's reserves available for distribution to the Shareholders were RMB284,666,000, which comprises contributed surplus of RMB94,381,000 and retained profits of RMB190,285,000 of the Company.

Under the Companies Act 1981 of Bermuda (as amended from time to time), contributed surplus is available for distribution to the Shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

## FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five (5) financial years, as extracted from the respective audited consolidated financial statements of the Company is set out below. This summary does not form part of the consolidated financial statements of this annual report:

| | **2015 RMB'000** | 2014 RMB'000 | 2013 RMB'000 | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|---|---|
| Revenue | **13,451,243** | 12,138,662 | 12,037,324 | 11,856,125 | 10,908,602 |
| Profit before tax | **242,014** | 142,370 | 130,439 | 143,683 | 167,921 |
| Income tax expense | **(71,962)** | (33,953) | (24,405) | (45,106) | (31,466) |
| Profit for the year | **170,052** | 108,417 | 106,034 | 98,577 | 136,455 |
| Profit for the year attributable to: | | | | | |
| Owner of the Company | **82,212** | 49,443 | 50,528 | 40,214 | 69,813 |
| Non-controlling interests | **87,840** | 58,974 | 55,506 | 58,363 | 66,642 |
| | **170,052** | 108,417 | 106,034 | 98,577 | 136,455 |
| Total assets | **11,637,552** | 9,814,578 | 10,206,983 | 10,704,000 | 9,697,379 |
| Total liabilities | **9,747,892** | 8,201,386 | (8,856,344) | (9,438,758) | (8,492,330) |
| Net assets | **1,889,660** | 1,613,192 | 1,350,639 | 1,265,242 | 1,205,049 |
| Net assets attributable to: | | | | | |
| Owner of the Company | **1,041,513** | 794,338 | 585,859 | 538,197 | 486,489 |
| Non-controlling interests | **848,147** | 818,854 | 764,780 | 727,045 | 718,560 |
| | **1,889,660** | 1,613,192 | 1,350,639 | 1,265,242 | 1,205,049 |

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group revalued its investment properties at the year ended on 31 December 2015. The net increase in fair value of the investment properties of the Group, which has been credited directly to consolidated income statement of profit or loss and other comprehensive income, amounted to RMB137,000 (2014: RMB837,000).

Details of these and other movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 15 and 18 to the consolidated financial statements of this annual report, respectively.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements of this annual report.

## OPEN OFFER

On 18 June 2015, the Company announced an open offer of not less than 303,598,595 but not more than 311,391,824 Shares to the Shareholders on the basis of one offer share for every five Shares held on 8 July 2015 at HK$0.70 per Share (the "Open Offer"), details of which were disclosed in the Company's prospectus dated 9 July 2015 and the Company's announcement dated 29 July 2015, in which Wuling (Hong Kong) Holdings Limited, the controlling Shareholder, acted as the underwriter. According to the abovementioned prospectus, net proceeds from the Open Offer was estimated to be approximately HK$210.02 million (equivalent to approximately RMB168.02 million, where the Company planned to inject cash of RMB160 million as capital on a non pro-rata basis into a non-wholly-owned subsidiary of the Company, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), aiming at further strengthening its financial position and to provide the funding for its various expansion and enhancement projects. The Open Offer was completed on 30 July 2015 where a total number of 303,598,595 new Shares were issued by the Company, which helped to further strengthen the capital base of the Company.

## USE OF PROCEEDS FROM THE OPEN OFFER

On 3 December 2015, the Company entered into a capital increase agreement with Guangxi Automobile Holdings Limited* 廣西汽車集團有限公司 ("Guangxi Automobile"), the ultimate controlling Shareholder, and Wuling Industrial, a non-wholly-owned subsidiary of the Company, pursuant to which the Company agreed to contribute, on a non pro-rata basis, an additional sum of RMB160,000,000 in cash to Wuling Industrial, of which RMB82,580,646 would be contributed to the registered capital of Wuling Industrial and RMB77,419,354 would be contributed to the capital reserves of Wuling Industrial ("WI Capital Increase"). Upon completion of the WI Capital Increase, the registered capital of Wuling Industrial would be increased by approximately 8.6022% and the Company's equity interest in Wuling Industrial on an enlarged basis would be increased to approximately 54.86%, whereas, the remaining 45.14% was owned by Guangxi Automobile. The Company financed its contribution towards the WI Capital Increase from the net proceeds from the Open Offer as abovementioned. Details of the WI Capital Increase were disclosed in the Company's announcement dated 3 December 2015 and the Company's circular dated 24 December 2015. The WI Capital Increase constituted a connected transaction under Chapter 14A of the Listing Rules, pursuant to which independent Shareholders' approval was obtained in the special general meeting of the Company held on 14 January 2016. Completion of the WI Capital Increase was taken place in February 2016.

## PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's bye-laws or the Companies Act 1981 Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 31 to the consolidated financial statements of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for respectively 69.9% and 75.7% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and the five (5) largest suppliers taken together accounted for respectively 25.7% and 35.5% of the Group's total purchases for the year. SAIC-GM-Wuling Automobile Co., Ltd.* 上汽通用五菱汽車股份有限公司 ("SGMW"), in which, Guangxi Automobile, the ultimate controlling Shareholder, holds a 5.8% interests, is the Group's largest customer and largest supplier.

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

* For identification purpose only

## DIRECTORS

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

### Executive Directors:

Mr. Wei Hongwen *(Chairman)*
Mr. Lee Shing
*(Vice-chairman & Chief Executive Officer)*
Mr. Sun Shaoli
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji *(resigned on 17 July 2015)*

### Independent Non-Executive Directors:

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben *(appointed on 20 March 2015 and then was re-elected by the Shareholders on 5 June 2015)*
Mr. Yu Xiumin *(resigned on 20 March 2015)*

The biographical details of the current Directors are set out on pages 35 to 39 of this annual report.

Each Director, including those appointed for a specific term, should be subject to retirement from the Board by rotation in the annual general meeting of the Company and then re-election by the Shareholders in the same meeting at least once every three years in accordance with the code provision contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company's bye-laws.

In accordance with bye-law 99(B) of the Company, Mr. Zhong Xianhua, Mr. Zuo Duofu and Mr. Ye Xiang shall retire from the Board by rotation at the conclusion of the 2016 AGM and, being eligible, offer themselves for re-election at the same meeting.

Mr. Zhou Sheji resigned as executive Director on 17 July 2015 as he has to focus his attention as a vice general manager in Wuling Industrial responsible for the purchase division of the automotive components and other industrial services division.

Mr. Wang Yuben was appointed as an independent non-executive Director, a member of each of the nomination committee, audit committee and remuneration committee of the Company in place of the resignation of Mr. Yu Xiumin as an independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and the remuneration committee of the Company, all with effect from 20 March 2015.

The Company has received from each of its independent non-executive Director, the respective written annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company and the nomination committee of the Company has considered all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

## DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

Details of the Directors' and senior management's emolument disclosed on a named basis and/or by band, respectively, are set out in notes 11 and 12 to the consolidated financial statements of this annual report.

## DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts with all the three (3) independent non-executive Directors for a specific term of three (3) years who are also required to retire from the Board by rotation at the annual general meeting of the Company and then re-election by the Shareholders in the same meeting at least once every three years in accordance with the Company's bye-laws and the Listing Rules.

No Directors being proposed for re-election at the 2016 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## MANAGEMENT CONTRACTS

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

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2015, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), contained in the Listing Rules were as follows:

### Long Positions

| Names of Director | Capacity | Number of ordinary Shares | Approximate % of the issued Share capital* |
|---|---|---|---|
| Mr. Lee Shing ("Mr. Lee") | Interest in controlled corporation (Note 1) | 281,622,914 | 15.46% |
| | Beneficial owner (Note 2) | 3,090,900 | 0.17% |
| | Interest held by spouse (Note 3) | 1,648,480 | 0.09% |
| | Total | 286,362,294 | 15.72% |

Notes:

(1) This represents the Shares held by Dragon Hill Development Limited ("Dragon Hill"), a company wholly-owned by Mr. Lee.

(2) This represents the outstanding share options held by Mr. Lee issued under the Share Option Scheme (as defined below), details of which are described in the section of "DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES" below.

(3) This represents the outstanding share options held by the spouse of Mr. Lee issued under the Share Option Scheme (as defined below), details of which are described in the section of "DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES" below.

* The percentage has been adjusted based on the total number of Shares in issue as at 31 December 2015 (i.e. 1,821,591,571 Shares).

Save as disclosed above and the interests as disclosed under the section headed "DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES" below, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015 which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 31 December 2015, the number of outstanding share options granted by the Company under the option scheme adopted on 28 May 2012 (the "Share Option Scheme") for the Directors to subscribe the Shares, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

| Category | | As at 1 January 2015 | During the year: Granted (Exercised) | During the year: Adjusted on 30 July 2015 | During the year: Lapsed/ Cancelled | As at 31 December 2015 |
|---|---|---|---|---|---|---|
| | | *(Note 1)* | | *(Note 3)* | | *(Note 1)* |
| **Directors** | | | | | | |
| Mr. Wei Hongwen | | 3,000,000 | – | 90,900 | – | 3,090,900 |
| Mr. Lee | | 3,000,000 | – | 90,900 | – | 3,090,900 |
| | | 1,600,000 | – | 48,480 | – | *(Note 2)* 1,648,480 |
| | Sub-total | 4,600,000 | – | 139,380 | – | 4,739,380 |
| Mr. Sun Shaoli | | 3,000,000 | – | 90,900 | – | 3,090,900 |
| Mr. Zhong Xianhua | | 2,000,000 | – | 60,600 | – | 2,060,600 |
| Ms. Liu Yaling | | 2,000,000 | – | 60,600 | – | 2,060,600 |
| Mr. Zuo Duofu | | 1,000,000 | – | 30,300 | – | 1,030,300 |
| Mr. Ye Xiang | | 1,000,000 | – | 30,300 | – | 1,030,300 |
| | Total | 16,600,000 | – | 502,980 | – | 17,102,980 |

Notes:

(1) All of the share options was granted on 16 June 2012 and vested on the date immediately after three months from the date of acceptance and are exercisable from 6 October 2012 to 30 June 2016 (both days inclusive) at adjusted exercise price of HK$0.476 per Share, details of which adjustment may refer to the announcement of the Company on 29 July 2015.

(2) These share options belongs to the spouse of Mr. Lee, an executive Director, who is an employee of the Group.

(3) The number of Shares entitled to be subscribed for under the outstanding options have been adjusted, details of which may refer to the announcement of the Company on 29 July 2015.

Save as disclosed herein, at no time during the year ended 31 December 2015 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "CONNECTED TRANSACTION" AND "CONTINUING CONNECTED TRANSACTIONS" in this report from pages 59 to 61, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

## SHARE OPTIONS

Particulars of the Share Option Scheme and the movements in the share options therein are set out in the above section "DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES" and note 35 to the consolidated financial statements of this annual report.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2015, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

### Long positions

| Names of Shareholder | Capacity | Nature of interest | Number of ordinary Shares | Approximate % of the issued Share capital# |
|---|---|---|---|---|
| Dragon Hill (Note 1) | Beneficial owner | Corporate | 281,622,914 | 15.46% |
| Mr. Lee | Interest in controlled corporation (Note 1) | Corporate | 281,622,914 | 15.46% |
| | Beneficial owner (Note 2) | Option | 3,090,900 | 0.17% |
| | Interest held by spouse (Note 2) | Family's option | 1,648,480 | 0.09% |
| | | Sub-total | 286,362,294 | 15.72% |
| Wuling (Hong Kong) Holdings Limited ("Wuling HK") (Note 3) | Beneficial owner | Corporate | 1,028,846,806 | 56.48% |
| Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") (Note 3) | Interest in controlled corporation | Corporate | 1,028,846,806 | 56.48% |
| 廣西汽車集團有限公司 Guangxi Automobile Holdings Limited* ("Guangxi Automobile") (Note 3) | Interest in controlled corporation | Corporate | 1,028,846,806 | 56.48% |

Notes:

(1) Mr. Lee is beneficially interested in 281,622,914 Shares, which interests are held by Dragon Hill, a company wholly-owned by Mr. Lee. This parcel of Shares has also been disclosed as long position of Mr. Lee under the above section of "DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES".

(2) These represent the outstanding share options held by Mr. Lee and his spouse under the Share Option Scheme.

(3) The entire issued share capital of Wuling HK is currently held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is currently held by Guangxi Automobile. Accordingly, Wuling Motors and Guangxi Automobile are deemed to be interested in the Shares in which Wuling HK is interested under the SFO.

# The percentage has been adjusted based on the total number of Shares in issue as at 31 December 2015 (i.e. 1,821,591,571 Shares).

Other than as disclosed above, as at 31 December 2015, the Company has not been notified of any other relevant interests and short position in the shares and underlying shares of the Company or any of its associated corporation, which had been recorded in the register required to be kept under section 336 of the SFO.

* For identification purpose only

## DIRECTOR'S INTEREST IN COMPETING BUSINESS

Mr. Wei Hongwen, the chairman of the Board and an executive Director, is also a director of SGMW. SGMW is principally engaged in the manufacturing and trading businesses of motor vehicles and engines, which may have direct or indirect competition to the businesses of the Group. Although Mr. Wei is taken to have competing interests in SGMW by virtue of his common directorships, he fulfills his fiduciary duty in order to ensure that he acts in the best interest of the Shareholders and the Company as a whole at all times. Besides, as SGMW is operated and managed under a publicly listed company with independent management and administration, the Directors are satisfied that the Group is capable of carrying its businesses independently of, and at arm's length basis from, the businesses of SGMW.

Save as disclosed above, as at the date of this report, none of the Directors or their respective close associates has interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

## CONNECTED TRANSACTION

On 3 December 2015, the Company entered into a capital increase agreement with Guangxi Automobile, the ultimate controlling Shareholder, and Wuling Industrial, a non-wholly owned subsidiary of the Company, pursuant to which the Company agreed to contribute, on a non pro-rata basis, an additional sum of RMB160,000,000 in cash to Wuling Industrial of which RMB82,580,646 would be contributed to the registered capital of Wuling Industrial and RMB77,419,354 would be contributed to the capital reserves of Wuling Industrial ("WI Capital Increase"). Upon completion of the WI Capital Increase, the registered capital of Wuling Industrial would be increased by approximately 8.6022% and the Company's equity interest in Wuling Industrial on an enlarged basis would be increased to approximately 54.86%, whereas, the remaining 45.14% was owned by Guangxi Automobile. The Company financed its contribution towards the WI Capital Increase from the net proceeds from the open offer as abovementioned section under the heading "OPEN OFFER" and "USE OF PROCEEDS FROM THE OPEN OFFER" on page 54. Details of the WI Capital Increase were disclosed in the Company's announcement dated 3 December 2015 and the Company's circular dated 24 December 2015. The WI Capital Increase constituted a connected transaction under Chapter 14A of the Listing Rules, pursuant to which independent Shareholders' approval was obtained in the special general meeting of the Company held on 14 January 2016. Completion of the WI Capital Increase was taken place in February 2016.

## CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the business and operation of Wuling Industrial and its subsidiaries (collectively as the "Wuling Industrial Group"), Wuling Industrial entered into the following agreements with Guangxi Automobile and/or its associates, which are in effect during and/or subsequent to the year:

(1) a renewed tenancy agreement entered into between Wuling Industrial as tenant, and Guangxi Automobile as landlord, on 21 December 2012, as extended from the then existing tenancy agreement, in connection with the leasing of 12 parcels of land and 68 buildings located in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, by Guangxi Automobile to Wuling Industrial ("Leasing of Properties") for the occupancy of such parcels of land and buildings by the Wuling Industrial Group for its business and operations for a period of three years ending on 31 December 2015 at an annual rental of not more than RMB28,200,000, details of which were disclosed in the circular of the Company dated 14 January 2013.

(2) a renewed patent agreement entered into between Wuling Industrial as lessee, and Guangxi Automobile as lessor, on 28 December 2012, as extended from the then existing patent agreement, in relation to the grant of a total number of 219 types of patent rights and know-how of Guangxi Automobile for use by the Wuling Industrial Group in its manufacturing of engines, automotive components and specialized vehicles, and other related businesses for a term of three years ending on 31 December 2015 at an annual license fee of RMB1,300,000, details of which were disclosed in the announcement of the Company dated 28 December 2012.

(3) a master agreement entered into between Wuling Industrial and Guangxi Automobile on 21 November 2013 in relation to the Sale Transactions (as defined below) and the Purchase Transactions (as defined below) for a term of three years from 1 January 2014 to 31 December 2016 (the "2014–2016 Master Agreement") to govern various continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile and its associates (the "Guangxi Automobile Group"). The 2014–2016 Master Agreement served to renew the terms of a number of continuing connected transactions entered into between Wuling Industrial and the respective associates of Guangxi Automobile separately, as well as to cover other continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group of similar nature which could take place during the term of the 2014–2016 Master Agreement. Details of 2014–2016 Master Agreement were disclosed in the circular of the Company dated 31 December 2013.

Pursuant to the 2014–2016 Master Agreement, Wuling Industrial Group agreed to supply certain raw materials (including but not limited to steels) and products (including parts, automotive components and accessories) and provide water and power supply services to Guangxi Automobile Group, which collectively recognized as the "Sale Transactions" of the Group as mentioned above, whereas, Guangxi Automobile Group agreed to supply certain products (including specialized vehicles, automotive components and accessories, mould tools and parts, electronics devices and components, automotive air-conditioners, parts and accessories) to Wuling Industrial Group, which recognized collectively the "Purchase Transactions" of the Group as mentioned above.

The proposed annual caps of the Sale Transactions for the year ending 31 December 2014, 2015 and 2016 are RMB493,000,000, RMB676,000,000 and RMB870,000,000 respectively and the proposed annual caps of the Purchase Transactions for the year ending 31 December 2014, 2015 and 2016 are RMB615,000,000, RMB838,000,000 and RMB1,091,000,000 respectively.

(4) a tenancy agreement entered into between Wuling Industrial as tenant, and 青島五菱汽車科技有限公司 (Qingdao Wuling Automotive Technology Co., Limited*) as landlord, a wholly-owned subsidiary of Guangxi Automobile, on 4 December 2014 (the "Additional Tenancy Agreement") in respect of a parcel of land and the buildings constructed thereon, located in south of Songhuajiang Road, West of Jiangshan Road, Huangdao District, Qingdao, the PRC* (中國青島市黃島區江山路西松花江路南側) (the "Qingdao Leased Properties") for a period commencing from 1 January 2015 and expiring on 31 December 2015. The total rental payable under the Additional Tenancy Agreement, on an annual basis, shall be RMB4,871,080.20. The Qingdao Leased Properties be used by Wuling Industrial Group as offices and production plants, details of which were disclosed in the announcement of the Company 4 December 2014.

(5) a master tenancy agreement entered into between Wuling Industrial (as tenant) and Guangxi Automobile (as landlord) on 28 December 2015 in relation to the leasing of the Leased Properties (as defined below) for a term of three years from 1 January 2016 to 31 December 2018 (the "2016–2018 Master Tenancy Agreement") to govern various continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group. The 2016–2018 Master Tenancy Agreement served to renew the terms of a number of continuing connected transactions entered into between the Wuling Industrial Group and the respective associates of Guangxi Automobile separately, as well as to cover other continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group of similar nature which could take place during the terms of 2016–2018 Master Tenancy Agreement. The initial subject properties to be leased by the Wuling Industrial Group from the Guangxi Automobile Group under the 2016–2018 Master Tenancy Agreement included: (a) the Qingdao Leased Properties; and (b) nine parcels of land and 49 buildings, located in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, with a total site area of land and a total floor area of buildings of approximately 626,139 square meters and 146,878 square meters respectively (the "Liuzhou Leased Properties") (collectively with the Qingdao Leased Properties, the "Leased Properties"). The Leased Properties are currently used by Wuling Industrial Group as offices and production plants and the Wuling

* For identification purpose only

Industrial Group will continue to use the Leased Properties for such purposes under the 2016-2018 Master Tenancy Agreement. The annual rental payable and the annual cap for the Leased Properties under the 2016–2018 Master Tenancy Agreement for each of the three years ending 31 December 2018 shall be RMB36,655,450 and RMB37,000,000 respectively. Details of 2016–2018 Master Tenancy Agreement were disclosed in the Company's announcement dated 28 December 2015.

Amongst the above continuing connected transactions, the 2014–2016 Master Agreement (item 3 above) and the Leasing of Properties (item 1 above) both constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The respective independent Shareholders' approvals were obtained in the special general meetings of the Company held on 23 January 2014 for the 2014–2016 Master Agreement (item 3 above) and 31 January 2013 for the Leasing of Properties (item 1 above) respectively. The remaining continuing connected transactions were exempted under Chapter 14A of the Listing Rules from the approval of independent Shareholders.

The aggregate amounts of the abovementioned continuing connected transactions for the year ended 31 December 2015 are set out in note 41 to the consolidated financial statements of this annual report. For each of these continuing connected transactions, the aggregate amounts took place during the year ended 31 December 2015 were within the annual maximum values as stated in the respective agreements. Pursuant to rule 14A.56 of the Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed upon procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in this report in accordance with the requirements of the Listing Rules.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions entered into by the Group were:

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

(ii) on normal commercial terms or better; and

(iii) according to the respective agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Save as disclosed herein, there were no transactions which need to be disclosed as connected transactions or continuing connected transactions in accordance with the requirements of the Listing Rules.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board review and monitor the Group's policies and practices on compliance with legal and regulatory requirements on a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the financial year ended 31 March 2015, to the best of the Company's knowledge, the Company has complied with the requirements under the Listing Rules, the SFO and the Companies Act 1981 Bermuda. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the "CORPORATE GOVERNANCE REPORT" from pages 42 to 51 of this annual report.

## REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") currently comprises three independent non-executive Directors including Mr. Zuo Duofu (chairman of the Remuneration Committee), Mr. Ye Xiang and Mr. Wang Yuben, for the purpose of, inter alia, reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management of the Company and other related matters.

The terms of reference of the Remuneration Committee, amended from time to time, is set out in the website of the Company (www.wuling.com.hk), a summary of duties and works of the Remuneration Committee during the year ended 31 December 2015 is set out in the "CORPORATE GOVERNANCE REPORT" in this annual report.

## AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which has been established in compliance with the Rule 3.2.1 of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting system, risk management system and internal control systems.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (chairman of the Audit Committee), Mr. Zuo Duofu and Mr. Wang Yuben, in which one of them possesses the appropriate professional qualifications or accounting or related financial management expertise.

The terms of reference of the Audit Committee, amended from time to time, is set out in the website of the Company (www.wuling.com.hk), a summary of duties and works of the Audit Committee during the year ended 31 December 2015 is set out in the "CORPORATE GOVERNANCE REPORT" in this annual report.

The audited consolidated financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee.

## NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") currently comprises Mr. Wei Hongwen, chairman of the Board (chairman of the Nomination Committee), three independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer for the purpose of, inter alia, reviewing the composition and effectiveness of the Board functioning, as well as to assessing or making recommending on relevant matters relating to the appointment and/or re-election of the Directors.

The terms of reference of the Nomination Committee, amended from time to time, is set out in the website of the Company (www.wuling.com.hk), a summary of duties and works of the Nomination Committee during the year ended 31 December 2015 is set out in the "CORPORATE GOVERNANCE REPORT" in this annual report.

## CHANGE IN THE INFORMATION OF DIRECTOR

Pursuant to rule 13.51B(1) of the Listing Rules, the change in the information of Director since the date of Company's 2015 interim report is as follows:

Mr. Lee Shing, being an executive Director, Vice-chairman of the Board and the Chief Executive Officer of the Company, resigned as an executive director of Grand T G Gold Holdings Limited (stock code: 08299), a company listed on the Growth Enterprise Market of the Stock Exchange, on 23 March 2016.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's bye-laws, the Directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## 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 2015 (2014: Nil).

## STAFF

As at 31 December 2015, the Group had approximately 14,900 employees. Salaries of employees are maintained at competitive levels and bonus are granted on a discretionary basis. Other employee benefits include provident fund, insurance medical cover, subsidised educational and training programmes as well as share option scheme of the Company.

## 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, amended from time to time, The Directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2015.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float, being not less then 25% of the Company's total issued share capital as required under the Listing Rules.

## EVENT AFTER THE END OF THE REPORTING PERIOD

Details of a significant event occurring after the reporting date are set out in note 46 to the consolidated financial statements of this annual report.

## AUDITOR

Deloitte Touche Tohmatsu ("Deloitte"), being the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment in the 2016 AGM. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the 2016 AGM.

On behalf of the Board

**Wei Hongwen**
*Chairman*
24 March 2016

# INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2015

Deloitte.
德勤

**TO THE MEMBERS OF**
**WULING MOTORS HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Wuling Motors Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 140, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
24 March 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

| | NOTES | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Revenue** | 7(a) | **13,451,243** | 12,138,662 |
| Cost of sales | | **(11,930,210)** | (10,764,941) |
| **Gross profit** | | **1,521,033** | 1,373,721 |
| Other income | 7(b) | **68,453** | 51,702 |
| Other gains and losses | 7(c) | **(30,933)** | (46,212) |
| Selling and distribution costs | | **(299,720)** | (323,761) |
| General and administrative expenses | | **(931,583)** | (831,072) |
| Share of results of joint ventures | 20 | **(12,752)** | (1,591) |
| Finance costs | 8 | **(72,484)** | (80,417) |
| **Profit before taxation** | | **242,014** | 142,370 |
| Income tax expense | 9 | **(71,962)** | (33,953) |
| **Profit for the year** | 10 | **170,052** | 108,417 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising from translation of foreign operations | | **954** | 2,753 |
| Total comprehensive income for the year | | **171,006** | 111,170 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **82,212** | 49,443 |
| Non-controlling interests | | **87,840** | 58,974 |
| | | **170,052** | 108,417 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **83,166** | 52,196 |
| Non-controlling interests | | **87,840** | 58,974 |
| | | **171,006** | 111,170 |
| **Earnings per share** | 14 | | |
| Basic | | **4.92 cents** | 3.50 cents |
| Diluted | | **4.83 cents** | 3.48 cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

| | NOTES | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 2,154,838 | 1,857,279 |
| Prepaid lease payments | 16 | 250,961 | 220,512 |
| Premium on prepaid lease payments | 17 | 873 | 897 |
| Investment properties | 18 | 8,610 | 7,936 |
| Intangible assets | 19 | 628 | 628 |
| Interests in joint ventures | 20 | 80,341 | 80,138 |
| Deposits paid for acquisition of land use rights | 21 | – | 7,010 |
| Deposits paid for acquisition of property, plant and equipment | 22 | 433,437 | 291,647 |
| Available-for-sale investment | 32 | 22,000 | 22,000 |
| | | 2,951,688 | 2,488,047 |
| CURRENT ASSETS | | | |
| Inventories | 23 | 1,778,552 | 1,449,146 |
| Trade and other receivables | 24 | 5,007,701 | 5,023,153 |
| Prepaid lease payments | 16 | 6,088 | 4,956 |
| Pledged bank deposits | 26 | 718,130 | 647,524 |
| Bank balances and cash | 26 | 1,175,393 | 201,752 |
| | | 8,685,864 | 7,326,531 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 27 | 8,397,991 | 7,246,366 |
| Amount due to a shareholder | 28 | 28,608 | – |
| Amount due to a related party | 28 | – | 3,235 |
| Provision for warranty | 29 | 151,353 | 164,179 |
| Tax payable | | 58,644 | 27,557 |
| Bank and other borrowings | 31 | 884,771 | 533,264 |
| | | 9,521,367 | 7,974,601 |
| NET CURRENT LIABILITIES | | (835,503) | (648,070) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,116,185 | 1,839,977 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2015

| | NOTES | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| NON-CURRENT LIABILITIES | | | |
| Amount due to a shareholder | 28 | **191,314** | 191,314 |
| Deferred income | 32 | **18,272** | 19,739 |
| Deferred tax liabilities | 33 | **16,939** | 15,732 |
| | | **226,525** | 226,785 |
| | | **1,889,660** | 1,613,192 |
| CAPITAL AND RESERVES | | | |
| Share capital | 34 | **6,600** | 5,627 |
| Reserves | | **1,034,913** | 788,711 |
| Equity attributable to owners of the Company | | **1,041,513** | 794,338 |
| Non-controlling interests | | **848,147** | 818,854 |
| | | **1,889,660** | 1,613,192 |

The consolidated financial statements on pages 66 to 140 were approved and authorised for issue by the board of directors on 24 March 2016 and are signed on its behalf by:

**Mr. Wei Hongwen**
*Chairman*

**Mr. Lee Shing**
*Vice-chairman & Chief Executive Officer*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Exchange reserve RMB'000 | Contributed surplus RMB'000 (note i) | Share option reserve RMB'000 | PRC general reserve RMB'000 (note ii) | Capital reserve RMB'000 (note iii) | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2014 | 4,529 | 830 | 7,588 | 35,763 | 17,598 | 202,504 | 18,505 | 298,542 | 585,859 | 764,780 | 1,350,639 |
| Profit for the year | – | – | – | – | – | – | – | 49,443 | 49,443 | 58,974 | 108,417 |
| Other comprehensive income for the year | – | – | 2,753 | – | – | – | – | – | 2,753 | – | 2,753 |
| Total comprehensive income for the year | – | – | 2,753 | – | – | – | – | 49,443 | 52,196 | 58,974 | 111,170 |
| Forfeiture of share options | – | – | – | – | (901) | – | – | 901 | – | – | – |
| Exercise of share options | 3 | 542 | – | – | (148) | – | – | – | 397 | – | 397 |
| Dividend paid (note 13) | – | – | – | – | – | – | – | (6,004) | (6,004) | – | (6,004) |
| Conversion of convertible note | 1,095 | 160,795 | – | – | – | – | – | – | 161,890 | – | 161,890 |
| Dividend recognized as distribution to non-controlling interests | – | – | – | – | – | – | – | – | – | (4,900) | (4,900) |
| Transfers | – | – | – | – | – | 3,028 | – | (3,028) | – | – | – |
| Subtotal | 1,098 | 161,337 | – | – | (1,049) | 3,028 | – | (8,131) | 156,283 | (4,900) | 151,383 |
| At 31 December 2014 | 5,627 | 162,167 | 10,341 | 35,763 | 16,549 | 205,532 | 18,505 | 339,854 | 794,338 | 818,854 | 1,613,192 |
| Profit for the year | – | – | – | – | – | – | – | 82,212 | 82,212 | 87,840 | 170,052 |
| Other comprehensive income for the year | – | – | 954 | – | – | – | – | – | 954 | – | 954 |
| Total comprehensive income for the year | – | – | 954 | – | – | – | – | 82,212 | 83,166 | 87,840 | 171,006 |
| Acquisition of additional interest in subsidiaries | – | – | – | – | – | – | – | (1,646) | (1,646) | (5,708) | (7,354) |
| Forfeiture of share options | – | – | – | – | (748) | – | – | 748 | – | – | – |
| Recognition of equity settled share-based payments | – | – | – | – | 1,365 | – | – | – | 1,365 | – | 1,365 |
| Dividend paid (note 13) | – | – | – | – | – | – | – | (5,957) | (5,957) | – | (5,957) |
| Shares issued under Open Offer (note 34) | 973 | 169,274 | – | – | – | – | – | – | 170,247 | – | 170,247 |
| Dividend recognized as distribution to non-controlling interests | – | – | – | – | – | – | – | – | – | (52,839) | (52,839) |
| Transfers | – | – | – | – | – | 45,570 | – | (45,570) | – | – | – |
| Subtotal | 973 | 169,274 | – | – | 617 | 45,570 | – | (52,425) | 164,009 | (58,547) | 105,462 |
| At 31 December 2015 | 6,600 | 331,441 | 11,295 | 35,763 | 17,166 | 251,102 | 18,505 | 369,641 | 1,041,513 | 848,147 | 1,889,660 |

notes:

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

(ii) According to the relevant requirement in the memorandum of association of the subsidiaries established in the People's Republic of China (the "PRC"), a portion of their profits after taxation, as determined by the board of directors of those subsidiaries, is transferred to PRC general reserve, with certain PRC subsidiaries may stop such transfer when the reserve balance reaches 50% of their registered capital. The transfer to the reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to offset the losses of the previous years, if any.

(iii) The capital reserve represents the deemed capital contribution arising on acquisition of a subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), from Guangxi Automobile Holdings Limited ("Guangxi Automobile"), which is the ultimate holding company of the Company by virtue of its 100% equity interest in Wuling (Hong Kong) Holdings Limited ("Wuling HK").

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 242,014 | 142,370 |
| Adjustments for: | | |
| Allowance (reversal of allowance) for inventories | 11,604 | (12,276) |
| Amortization of deferred income | (1,467) | (1,467) |
| Bank interest income | (36,823) | (26,047) |
| Change in fair value of derivative financial instrument | – | 1,282 |
| Gain on revaluation of investment properties | (137) | (837) |
| Depreciation of property, plant and equipment | 201,042 | 173,646 |
| Finance costs | 72,484 | 80,417 |
| Gain on derecognition of trade and other payables | (4,821) | – |
| Impairment loss on goodwill | – | 5,252 |
| Impairment loss on interest in joint ventures | 8,000 | 8,224 |
| Impairment losses recognized on trade receivables | 23,403 | 10,179 |
| Impairment loss reversed in respect of trade receivables | (1,472) | (71) |
| Impairment loss on prepaid lease payments | – | 11,450 |
| Loss on disposal of property, plant and equipment | 5,468 | 10,687 |
| Release of premium on prepaid lease payments | 24 | 25 |
| Release of prepaid lease payments | 5,739 | 4,705 |
| Equity settled share-based payments | 1,365 | – |
| Share of results of joint ventures | 12,752 | 1,591 |
| Operating cash flows before movements in working capital | 539,175 | 409,130 |
| Increase in inventories | (341,010) | (247,462) |
| Decrease in trade and other receivables | 642,065 | 539,777 |
| Net (increase) decrease in bills receivables discounted with recourse | (648,315) | 296,695 |
| Increase in trade and other payables | 1,156,691 | 216,927 |
| (Decrease) increase in provision for warranty | (12,826) | 5,481 |
| Cash generated from operations | 1,335,780 | 1,220,548 |
| Income tax paid | (39,668) | (34,927) |
| NET CASH FROM OPERATING ACTIVITIES | 1,296,112 | 1,185,621 |

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| INVESTING ACTIVITIES | | |
| Placement of pledged bank deposits | (2,687,693) | (1,612,115) |
| Purchase of property, plant and equipment | (79,721) | (178,958) |
| Deposits paid for acquisition of property, plant and equipment | (616,224) | (381,225) |
| Addition of prepaid lease payments | (30,310) | (25,200) |
| Acquisition of additional interest in subsidiaries | (7,354) | – |
| Acquisition of additional interests in joint ventures | (20,955) | (21,850) |
| Withdrawal of pledged bank deposits | 2,617,087 | 1,687,940 |
| Bank interest income received | 36,823 | 26,047 |
| Proceeds from disposal of property, plant and equipment | 14,474 | 12,390 |
| Deposits paid for acquisition of land use rights | – | (7,010) |
| Proceeds from government grants | 35,550 | 5,405 |
| NET CASH USED IN INVESTING ACTIVITIES | (738,323) | (494,576) |
| FINANCING ACTIVITIES | | |
| Net increase (decrease) in advances drawn on bills receivables discounted with recourse | 582,482 | (349,133) |
| Proceeds from issue of shares | 170,247 | – |
| Bank borrowings raised | 100,000 | 318,129 |
| Repayment of bank borrowings | (392,135) | (312,818) |
| Repayment to a shareholder | (24,231) | (430,095) |
| Interest paid | (11,324) | (25,841) |
| Dividend paid | (5,957) | (6,004) |
| (Repayment to) advance from a related party | (3,235) | 3,235 |
| Issue of shares upon exercise of share options | – | 397 |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 415,847 | (802,130) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 973,636 | (111,085) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 201,752 | 313,465 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET | 5 | (628) |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash | 1,175,393 | 201,752 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

## 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"). Its immediate parent is Wuling HK and its ultimate parent is Guangxi Automobile. 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 details of its principal subsidiaries are disclosed in note 45.

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 RMB836 million (2014: approximately RMB648 million) as at 31 December 2015. 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 RMB104 million, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

In addition, Guangxi Automobile 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")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle |

The application of the amendment to 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.

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

### *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[2] |
| HKFRS 14 | Regulatory Deferral Accounts[1] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle[1] |

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

### 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.

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

### HKFRS 9 "Financial Instruments" (continued)

- 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 anticipate that the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2015.

### HKFRS 15 "Revenue from Contracts with Customers"

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

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

### HKFRS 15 "Revenue from Contracts with Customers" (continued)

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.

Other than the above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, 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, such as net realizable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

**Changes in the Group's ownership interests in existing subsidiaries**

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

### Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

### Investments in joint ventures

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in joint ventures (continued)

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

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

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

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

Service income is recognized when services are provided.

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

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

### Property, plant and equipment

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

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

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

### Investment properties

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

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

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

### Leasing

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

**The Group as lessor**

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

**The Group as lessee**

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

**Leasehold land and building**

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

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

### Foreign currencies

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

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Borrowing costs

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

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

### Government grants

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

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

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

### Retirement benefits costs

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

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

### Taxation

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

### Intangible assets

**Intangible assets acquired separately**

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (continued)

**Internally-generated intangible assets — research and development expenditures**

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

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

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

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

### Inventories

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

### Financial instruments

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets**

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

*Effective interest method*

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

Interest income is recognized on an effective interest basis for debt instruments.

*AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets (continued)**

*Loans and receivables*

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Financial assets (continued)**

*Impairment of financial assets (continued)*

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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

**Financial liabilities and equity instruments**

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

*Equity instruments*

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

*Effective interest method*

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

*Other financial liabilities*

Financial liabilities including trade and other payables, amount due to a shareholder, amount due to a related party and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Convertible loan notes**

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

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

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

**Derivative financial instruments**

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

*Embedded derivatives*

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

**Financial guarantee contracts**

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

**Derecognition**

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

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

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

### Provisions

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

### Share-based payment transactions

**Equity-settled share-based payment transactions**

*Share options granted to directors and employees*

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payment transactions (continued)

**Equity-settled share-based payment transactions (continued)**

*Share options granted to other parties*

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

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

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

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

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

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

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgments in applying accounting policies

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

**Deferred taxation on investment properties**

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

### Key sources of estimation uncertainty

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

**Depreciation of property, plant and equipment**

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

As at 31 December 2015, the carrying amount of property, plant and equipment was RMB2,154,838,000 (2014: RMB1,857,279,000).

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Key sources of estimation uncertainty (continued)

**Estimated impairment of trade receivables**

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

As at 31 December 2015, the carrying amount of trade and bills receivable was RMB3,814,158,000 (net of allowance for doubtful debts of approximately RMB55,334,000) (2014: RMB4,395,951,000 net of allowance for doubtful debts of RMB30,611,000).

**Provision for warranty**

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

As at 31 December 2015, the carrying amount of provision for warranty was RMB151,353,000 (2014: RMB164,179,000).

## 6. 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

## 6. SEGMENT INFORMATION (continued)

### 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 2015** | | | | | | |
| Revenue | | | | | | |
| External sales | 3,620,766 | 7,689,088 | 2,141,264 | 125 | – | 13,451,243 |
| Inter-segment sales | 61,042 | 3,799 | – | – | (64,841) | – |
| Total | 3,681,808 | 7,692,887 | 2,141,264 | 125 | (64,841) | 13,451,243 |
| Segment profit (loss) | 169,916 | 187,374 | 18,975 | (22,917) | | 353,348 |
| Bank interest income | | | | | | 36,823 |
| Impairment loss on interest in a joint venture | | | | | | (8,000) |
| Central administrative costs | | | | | | (54,921) |
| Share of results of joint ventures | | | | | | (12,752) |
| Finance costs | | | | | | (72,484) |
| Profit before taxation | | | | | | 242,014 |

## 6. SEGMENT INFORMATION (continued)

### Segment revenues and results (continued)

| | Engines and related parts | Automotive components and other industrial services | Specialized vehicles | Others | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| 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 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. 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, 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.

## 6. SEGMENT INFORMATION (continued)

### 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 2015** | | | | | |
| Assets | | | | | |
| Segment assets | 2,961,347 | 5,093,810 | 1,573,193 | 13,338 | 9,641,688 |
| Interests in joint ventures | | | | | 80,341 |
| Available-for-sale investment | | | | | 22,000 |
| Pledged bank deposits | | | | | 718,130 |
| Bank balances and cash | | | | | 1,175,393 |
| Consolidated assets | | | | | 11,637,552 |
| Liabilities | | | | | |
| Segment liabilities | 2,760,415 | 5,090,030 | 1,600,849 | 3,401 | 9,454,695 |
| Amount due to a shareholder | | | | | 219,922 |
| Bank borrowings | | | | | 2,895 |
| Others | | | | | 70,380 |
| Consolidated liabilities | | | | | 9,747,892 |

## 6. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

| | 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 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 |
| Amount due to a shareholder | | | | | 191,314 |
| Amount due to a related party | | | | | 3,235 |
| Bank borrowings | | | | | 295,030 |
| Others | | | | | 43,289 |
| Consolidated liabilities | | | | | 8,201,386 |

The assets of the Group are allocated based on the operations of the segments. However, interests in joint ventures, available-for-sale investment, pledged bank deposits and bank balances and cash are not allocated to the segments.

The liabilities of the Group are allocated based on the operations of the segments. However, amount due to a shareholder, amount due to a related party, bank borrowings, tax payable and deferred tax liabilities are not allocated to the segments.

## 6. SEGMENT INFORMATION (continued)

### 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 2015** | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | |
| Additions to non-current assets | 109,005 | 355,993 | 90,853 | – | 555,851 |
| Depreciation of property, plant and equipment | 70,664 | 122,641 | 7,644 | 93 | 201,042 |
| Release of prepaid lease payments | 1,126 | 4,613 | – | – | 5,739 |
| Release of premium on prepaid lease payments | – | 24 | – | – | 24 |
| Loss on disposal of property, plant and equipment | 1,075 | 3,500 | 893 | – | 5,468 |
| Allowance for inventories | 8,500 | 2,473 | 631 | – | 11,604 |
| Impairment loss reversed in respect of trade receivables | (289) | (943) | (240) | – | (1,472) |
| Impairment losses recognized on trade receivables | 9,098 | 35 | – | 14,270 | 23,403 |
| Impairment loss on interest in a joint venture | – | 8,000 | – | – | 8,000 |
| Research and development expenses | 68,949 | 142,016 | 57,467 | – | 268,432 |
| Gain on revaluation of investment properties | – | – | – | (137) | (137) |

## 6. SEGMENT INFORMATION (continued)

### Other segment information (continued)

| | 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 |
| Impairment loss on goodwill | 5,252 | – | – | – | 5,252 |
| Impairment loss on interest in a joint venture | – | – | 8,224 | – | 8,224 |
| Impairment loss on prepaid lease payments | 11,450 | – | – | – | 11,450 |
| Research and development expenses | 23,136 | 142,041 | 32,432 | – | 197,609 |
| Gain on revaluation of investment properties | – | – | – | (837) | (837) |

## 6. SEGMENT INFORMATION (continued)

### 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.

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| The PRC (excluding Hong Kong) | **13,447,887** | 12,138,544 |
| Hong Kong | **221** | 118 |
| Others | **3,135** | – |
| Consolidated | **13,451,243** | 12,138,662 |

#### (b) Non-current assets

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Hong Kong | **9,412** | 8,161 |
| Philippines | **615** | 628 |
| The PRC (excluding Hong Kong) | **2,919,661** | 2,457,258 |
| | **2,929,688** | 2,466,047 |

Note: Non-current assets excluded financial instruments.

### 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 following operating segments, is as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Engines and related parts | **2,695,250** | 1,789,259 |
| Automotive components and other industrial services | **6,697,070** | 6,000,569 |
| Specialized vehicles | **28,706** | 2,189 |
| | **9,421,026** | 7,792,017 |

## 7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Sales of: | | |
| — Engines | **3,512,212** | 2,588,829 |
| — Engines related parts | **108,554** | 77,420 |
| — Automotive components and accessories | **6,830,013** | 6,456,769 |
| — Specialized vehicles | **2,141,264** | 2,054,239 |
| Trading of raw materials | **659,690** | 734,115 |
| Provision of water and power supply | **199,385** | 227,172 |
| | **13,451,118** | 12,138,544 |
| Gross property rental income from investment properties | **125** | 118 |
| | **13,451,243** | 12,138,662 |

(b) Details of other income are as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Sales of scrap materials and parts | **549** | 778 |
| Bank interest income | **36,823** | 26,047 |
| Service income on repairs and maintenance | **12,199** | 6,667 |
| Machinery and other property rental income | **3,446** | 1,690 |
| Amortisation of deferred income | **1,467** | 1,467 |
| Trading of timber | **24** | 421 |
| Government grants | **7,539** | 8,429 |
| Gain on sale of an internally developed intellectual property | **–** | 2,906 |
| Others | **6,406** | 3,297 |
| | **68,453** | 51,702 |

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Gain on derecognition of trade and other payables | **4,821** | – |
| Change in fair value of derivative financial instrument | **–** | (1,282) |
| Impairment loss reversed in respect of trade receivables | **1,472** | 71 |
| Impairment loss on interest in a joint venture | **(8,000)** | (8,224) |
| Gain on revaluation of investments properties | **137** | 837 |
| Foreign exchange losses, net | **(492)** | (46) |
| Loss on disposal of property, plant and equipment | **(5,468)** | (10,687) |
| Impairment losses recognized on trade receivables | **(23,403)** | (10,179) |
| Impairment loss on goodwill | **–** | (5,252) |
| Impairment loss on prepaid lease payments (note 16) | **–** | (11,450) |
| | **(30,933)** | (46,212) |

## 8. FINANCE COSTS

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Interests on: | | |
| — amount due to a related party | 317 | 269 |
| — amount due to a shareholder | 141 | 2,349 |
| — borrowings wholly repayable within five years | 10,866 | 16,015 |
| — borrowings not wholly repayable within five years | – | 33 |
| — advances drawn on bills receivables (note) | 61,160 | 57,248 |
| — convertible loan notes (note 30) | – | 4,503 |
| | 72,484 | 80,417 |

Note: During the year ended 31 December 2015, interest of RMB32,378,000 (2014: RMB28,681,000) was paid to a shareholder in respect of bills discounted to that shareholder. Details of provision of facility are set out in note 41(v).

## 9. INCOME TAX EXPENSE

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Tax charge represents: | | |
| PRC Enterprise Income Tax ("EIT") | | |
| Current | 69,963 | 29,584 |
| Withholding tax on dividend distribution | 2,323 | 874 |
| (Over) under provision in prior years | (1,531) | 4,139 |
| | 70,755 | 34,597 |
| Deferred tax (note 33) | | |
| Current year | 1,207 | (644) |
| | 71,962 | 33,953 |

### 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 except that:

(i) Wuling Industrial is approved for 3 years as enterprise that satisfied as a High-New Technology Enterprise and entitles the preferential tax rate of 15% in 2014 and 2015; and

(ii) Pursuant to the tax notice Caishui [2011] No. 58 issued in 2011, companies located in specified provinces of Western China and engaged in a specific state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") were subject to a preferential tax rate of 15% during the period from 2011 to 2020 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. In 2012, confirmation notice from the relevant authority on the 15% EIT rate had been obtained by the enterprises including Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors"). During the year ended 31 December 2014, the Catalogue setting out the qualifying industries has been issued which has classified principal activities of Liuji Motors as encouraged industries. As a result, Liuji Motors is entitled the preferential tax rate of 15% in 2014. During the year ended 31 December 2015, Liuji Motors has been approved as enterprise that satisfied as a High-New Technology Enterprise and entitles the preferential tax rate of 15% in 2015.

## 9. INCOME TAX EXPENSE (continued)

### The PRC (continued)

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.

During the year, deferred tax of RMB3,929,000 (2014: RMB3,381,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss accordingly.

### 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.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Profit before taxation | 242,014 | 142,370 |
| Tax at the domestic income tax rate of 15% (note) | 36,302 | 21,356 |
| Tax effect of share of results of joint ventures | 1,913 | 239 |
| Tax effect of expenses not deductible for tax purposes | 22,227 | 8,571 |
| Tax effect of income not taxable for tax purposes | (1,965) | (5,139) |
| Tax effect of deductible temporary difference not recognized | – | 541 |
| Tax effect of utilization of tax losses previously not recognized | (2,553) | (1,706) |
| Tax effect of tax losses not recognized | 7,786 | 2,071 |
| Tax effect of undistributed profits of PRC subsidiaries | 3,929 | 3,381 |
| Effect of different tax rates of subsidiaries | 5,854 | 500 |
| (Over) under provision in prior years | (1,531) | 4,139 |
| Income tax expense for the year | 71,962 | 33,953 |

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

Details of movements in deferred tax liabilities are set out in note 33.

## 10. PROFIT FOR THE YEAR

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting) the following items: | | |
| Directors' emoluments (note 11) | **5,243** | 6,066 |
| Other staff costs: | | |
| Salaries, bonus and other benefits | **697,946** | 698,975 |
| Retirement benefit scheme contributions, excluding directors | **58,782** | 61,059 |
| Total staff costs | **761,971** | 766,100 |
| Gross property rental income from investment property, net of negligible outgoings | **(125)** | (118) |
| Auditor's remuneration | **1,532** | 1,570 |
| Cost of inventories recognized as an expense (note) | **11,930,210** | 10,764,941 |
| Depreciation of property, plant and equipment | **201,042** | 173,646 |
| Release of prepaid lease payments (included in general and administrative expenses) | **5,739** | 4,705 |
| Release of premium on prepaid lease payments (included in general and administrative expenses) | **24** | 25 |
| Research and development expenses (included in general and administrative expenses) | **268,432** | 197,609 |
| Transportation costs (included in selling and distribution costs) | **178,101** | 191,619 |

Note: Included in arriving at cost of inventories is an amount of RMB11,604,000 recognized as allowance for inventories (2014: reversal of allowance for inventories of RMB12,276,000).

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

| | | Other emoluments | | |
|---|---|---|---|---|
| | Fees RMB'000 | Salaries and other benefits RMB'000 | Contributions to retirement benefits schemes RMB'000 | Total emoluments RMB'000 |
| **2015** | | | | |
| Wei Hongwen | 193 | 617 | 83 | 893 |
| Lee Shing (note 1) | 1,235 | 360 | 14 | 1,609 |
| Sun Shaoli | 173 | 539 | 77 | 789 |
| Zhong Xianhua | 174 | 431 | 73 | 678 |
| Liu Yaling | 174 | 14 | – | 188 |
| Zhou Sheji (note 2) | 95 | 587 | 8 | 690 |
| Yu Xiumin (note 2) | 26 | – | – | 26 |
| Zuo Duofu | 116 | – | – | 116 |
| Ye Xiang | 164 | – | – | 164 |
| Wang Yuben (note 3) | 90 | – | – | 90 |
| | 2,440 | 2,548 | 255 | 5,243 |
| 2014 | | | | |
| Wei Hongwen | 174 | 770 | 72 | 1,016 |
| Lee Shing (note 1) | 1,189 | 318 | 13 | 1,520 |
| Sun Shaoli | 186 | 768 | 72 | 1,026 |
| Zhong Xianhua | 170 | 618 | 72 | 860 |
| Liu Yaling | 170 | 15 | – | 185 |
| Zhou Sheji | 170 | 887 | 13 | 1,070 |
| Yu Xiumin | 114 | – | – | 114 |
| Zuo Duofu | 114 | – | – | 114 |
| Ye Xiang | 161 | – | – | 161 |
| | 2,448 | 3,376 | 242 | 6,066 |

Note 1: Mr. Lee Shing ("Mr. Lee") is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

Note 2: Mr. Yu Xiumin and Mr. Zhou Sheji resigned as an independent non-executive director and executive director of the Company with effect from 20 March 2015 and 17 July 2015, respectively.

Note 3: Mr. Wang Yuben was appointed as an independent non-executive director of the Company with effect from 20 March 2015.

## 12. EMPLOYEES' EMOLUMENTS

### (a) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: four) were directors and the chief executive officer of the Company whose emolument is included in the disclosure in note 11 above. The emolument of the remaining two (2014: one) individual is as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Salaries and other benefits | 1,215 | 1,005 |
| Bonus | 647 | 116 |
| Contributions to retirement benefits schemes | 117 | 22 |
| Total emolument | 1,979 | 1,143 |

No emoluments were paid by the Group to the directors of the Company or the above individual as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2015 and 2014.

### (b) Emoluments of senior management

Other than the directors of the Company, of the nine (2014: nine) senior management of the Group for the year ended 31 December 2015, two (2014: one) of the senior management are two of the top five highest paid individuals and the respective remuneration has been disclosed in Note 12(a).

The emoluments of the remaining seven (2014: eight) individuals for the year were within the following bands:

| | 2015 Number of employees | 2014 Number of employees |
|---|---|---|
| RMB1 to RMB500,000 | 3 | 3 |
| RMB500,001 to RMB1,000,000 | 4 | 5 |
| | 7 | 8 |

## 13. DIVIDEND

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Dividends recognized as distribution during the year: | | |
| 2014 Final dividend of HKD0.5 cent (2014: 2013 final dividend of HKD0.5 cent) per share | 5,957 | 6,004 |

Subsequent to the end of the reporting period, a final dividend of HKD0.75 cent per share amounting to approximately HKD13,662,000 (or equivalent to RMB11,390,000) in respect of the year ended 31 December 2015 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. 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:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share (profit of the year attributable to owners of the Company) | 82,212 | 49,443 |

| | '000 | '000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,669,960 | 1,414,425 |
| Effect of dilutive potential ordinary shares in respect of share options | 32,572 | 5,612 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,702,532 | 1,420,037 |

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.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share in 2014 have been adjusted for the bonus element of the Open Offer (as defined in note 34) on 30 July 2015.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and equipment RMB'000 | Computers RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **AT COST** | | | | | | | | |
| At 1 January 2014 | 425,556 | 354 | 1,168,668 | 110,949 | 26,206 | 26,990 | 299,687 | 2,058,410 |
| Exchange adjustments | – | (1) | – | (1) | – | 2 | – | – |
| Additions | 31,760 | – | 128,997 | 35,948 | 17,630 | 8,476 | 250,076 | 472,887 |
| Disposals | (16,056) | – | (28,972) | (25,759) | (4,803) | (4,622) | – | (80,212) |
| Transfer | 119,112 | – | 115,934 | 29,086 | – | 14 | (264,146) | – |
| At 31 December 2014 | 560,372 | 353 | 1,384,627 | 150,223 | 39,033 | 30,860 | 285,617 | 2,451,085 |
| Exchange adjustments | – | 24 | – | 15 | 23 | – | – | 62 |
| Additions | 1,833 | – | 15,727 | 24,902 | 212 | 1,424 | 474,433 | 518,531 |
| Disposals | (197) | – | (39,189) | (1,300) | (4,425) | (1,583) | – | (46,694) |
| Transfer | 146,079 | – | 132,025 | 46,215 | 47,835 | 2,363 | (374,517) | – |
| At 31 December 2015 | 708,087 | 377 | 1,493,190 | 220,055 | 82,678 | 33,064 | 385,533 | 2,922,984 |
| **ACCUMULATED DEPRECIATION** | | | | | | | | |
| At 1 January 2014 | 52,744 | 95 | 379,092 | 24,215 | 8,235 | 12,913 | – | 477,294 |
| Exchange adjustments | – | (1) | – | (2) | 1 | 3 | – | 1 |
| Provided for the year | 24,099 | 71 | 107,885 | 30,687 | 5,791 | 5,113 | – | 173,646 |
| Eliminated on disposals | (4,087) | – | (23,163) | (23,146) | (3,261) | (3,478) | – | (57,135) |
| At 31 December 2014 | 72,756 | 165 | 463,814 | 31,754 | 10,766 | 14,551 | – | 593,806 |
| Exchange adjustments | – | 14 | – | 14 | 21 | 1 | – | 50 |
| Provided for the year | 39,031 | 72 | 89,728 | 53,661 | 12,630 | 5,920 | – | 201,042 |
| Eliminated on disposals | (28) | – | (22,674) | (989) | (1,956) | (1,105) | – | (26,752) |
| At 31 December 2015 | 111,759 | 251 | 530,868 | 84,440 | 21,461 | 19,367 | – | 768,146 |
| **CARRYING VALUE** | | | | | | | | |
| At 31 December 2015 | 596,328 | 126 | 962,322 | 135,615 | 61,217 | 13,697 | 385,533 | 2,154,838 |
| At 31 December 2014 | 487,616 | 188 | 920,813 | 118,469 | 28,267 | 16,309 | 285,617 | 1,857,279 |

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

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

During the year ended 31 December 2015, the Group received government subsidy of RMB35,550,000 (2014: RMB5,405,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

## 16. PREPAID LEASE PAYMENTS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| At 1 January | 225,468 | 216,423 |
| Additions | 37,320 | 25,200 |
| Impairment loss recognized during the year (Note) | – | (11,450) |
| Released to profit or loss | (5,739) | (4,705) |
| At 31 December | 257,049 | 225,468 |
| Analyzed as: | | |
| Current portion | 6,088 | 4,956 |
| Non-current portion | 250,961 | 220,512 |
| | 257,049 | 225,468 |

Note: During the year ended 31 December 2014, the directors of the Company conducted a review of the recoverable amount of land leases of Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") and determined that one of the land lease was impaired, due to cease of operation of Jilin Chuofeng. Management determined that the fair value less costs to sell of the land lease is less than its carrying amount. Accordingly, an impairment loss of RMB11,450,000 was recognized in profit or loss for the year ended 31 December 2014. The estimated fair value less costs to sell was determined by reference to the recent market prices for similar assets.

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

## 17. PREMIUM ON PREPAID LEASE PAYMENTS

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

## 18. INVESTMENT PROPERTIES

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| FAIR VALUE | | |
| At 1 January | 7,936 | 7,130 |
| Exchange realignment | 537 | (31) |
| Increase in fair value recognized in profit or loss | 137 | 837 |
| At 31 December | 8,610 | 7,936 |

Notes:

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

## 18. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(ii) The fair value of the Group's investment properties as at 31 December 2015 and 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Vigers Appraisal & Consulting Limited ("Vigers"), independent qualified professional valuers not connected to the Group.

The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the price per square feet, which ranged from RMB4,626 to RMB5,118 and RMB1,681 to RMB1,788 (2014: RMB4,275 to RMB4,697 and RMB1,574 to RMB1,975). A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment property and vice versa.

The fair value hierarchy of the Group's investment properties as at 31 December 2015 are categorised as level 3.

There were no transfers into or out of Level 3 during the year.

## 19. INTANGIBLE ASSETS

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

## 20. INTERESTS IN JOINT VENTURES

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Cost of unlisted investments in joint ventures | 110,490 | 89,535 |
| Share of post-acquisition results | (13,925) | (1,173) |
| Impairment loss (note) | (16,224) | (8,224) |
| | 80,341 | 80,138 |

Note: During the year, an impairment loss of RMB8,000,000 (2014: RMB8,224,000) was made in respect of the Group's interests in certain joint ventures. The impairment loss arose due to the worse than expected operating results of those joint ventures during the year.

## 20. INTERESTS IN JOINT VENTURES (continued)

Details of the Group's joint ventures at the end of the reporting period are as follow:

| Name of entity | Country of establishment/ operation | Proportion of ownership interest held by the Group | | Proportion of voting rights held by the Group | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | |
| Qingdao Dianshi Motor Accessories Company Limited ("Qingdao Dianshi") | PRC | 51% (note) | 51% (note) | 51% | 51% | Manufacture of automotive accessories |
| Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang") | PRC | 50% | 50% | 50% | 50% | Manufacture of automotive accessories |
| Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte") | PRC | 51% (note) | 51% (note) | 51% | 51% | Manufacture of engines |
| 柳州五達汽車部件有限公司 ("柳州五達") | PRC | 51% (note) | N/A | 51% | N/A | Manufacture of automotive accessories |

Note: The joint ventures are jointly controlled by the Group and other shareholders by virtue of contractual arrangements among shareholders which requires two-third shareholders' approval for major business decisions. Therefore they are classified as joint ventures of the Group.

### Summarized financial information of material joint ventures

Summarized financial information in respect of the Group's material joint ventures is set out below. The summarized financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures is accounted for using the equity method in these consolidated financial statements.

## 20. INTERESTS IN JOINT VENTURES (continued)

### Summarized financial information of material joint ventures (continued)

| | For the year ended 31 December 2015 | | | | | For the year ended 31 December 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Qingdao Dianshi RMB'000 | Guangxi Weixiang RMB'000 | Liuzhou Lingte RMB'000 | 柳州五達 RMB'000 | Total RMB'000 | Qingdao Dianshi RMB'000 | Guangxi Weixiang RMB'000 | Liuzhou Lingte RMB'000 | Total RMB'000 |
| *Financial information of consolidated statement of profit or loss and other comprehensive income* | | | | | | | | | |
| Revenue | 106,004 | 179,181 | – | 8 | 285,193 | 53,562 | 338,434 | – | 391,996 |
| Profit (loss) for the year | 1,256 | (11,639) | (14,355) | (496) | (25,234) | 192 | 1,342 | (4,628) | (3,094) |
| Total comprehensive income (expense) for the year | 1,256 | (11,639) | (14,355) | (496) | (25,234) | 192 | 1,342 | (4,628) | (3,094) |
| Profit (loss) for the year, attributable to the Group | 641 | (5,820) | (7,321) | (252) | (12,752) | 98 | 671 | (2,360) | (1,591) |
| Total comprehensive income (expense) for the year, attributable to the Group | 641 | (5,820) | (7,321) | (252) | (12,752) | 98 | 671 | (2,360) | (1,591) |
| Dividends received from joint ventures during the year | – | – | – | – | – | – | – | – | – |
| *The above financial information include the following:* | | | | | | | | | |
| Depreciation and amortization | (3,855) | (1,239) | (40) | (2) | (5,136) | (1,557) | (735) | (5,095) | (7,387) |
| Interest income | 5 | 123 | 319 | 41 | 488 | 4 | 49 | 124 | 177 |
| Income tax expense | (574) | – | – | – | (574) | (140) | (178) | – | (318) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

## 20. INTERESTS IN JOINT VENTURES (continued)

### Summarized financial information of material joint ventures (continued)

| | 2015 | | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Qingdao Dianshi RMB'000 | Guangxi Weixiang RMB'000 | Liuzhou Lingte RMB'000 | 柳州五達 RMB'000 | Total RMB'000 | Qingdao Dianshi RMB'000 | Guangxi Weixiang RMB'000 | Liuzhou Lingte RMB'000 | Total RMB'000 |
| *Financial information of consolidated statement of financial position* | | | | | | | | | |
| Non-current assets | 20,401 | 8,033 | 109,803 | 2,647 | 140,884 | 15,592 | 9,121 | 74,310 | 99,023 |
| Current assets | 51,159 | 92,477 | 32,018 | 9,941 | 185,595 | 22,431 | 210,020 | 42,665 | 275,116 |
| Current liabilities | (61,919) | (60,806) | (1,174) | (1,083) | (124,982) | (29,639) | (167,799) | (63) | (197,501) |
| Net assets of the joint ventures | 9,641 | 39,704 | 140,647 | 11,505 | 201,497 | 8,384 | 51,342 | 116,912 | 176,638 |
| *The above amounts of assets and liabilities include the following:* | | | | | | | | | |
| Cash and cash equivalents | 1,521 | 4,208 | 23,481 | 8,169 | 37,379 | 817 | 9,702 | 24,788 | 35,307 |
| Current financial liabilities (excluding trade and other payables and provisions) | (341) | – | – | – | (341) | (182) | (185) | – | (367) |
| *Reconciliation to the carrying amounts of interest in the joint ventures:* | | | | | | | | | |
| Net assets attributable to the equity holders of the joint ventures | 9,641 | 39,704 | 140,647 | 11,505 | 201,497 | 8,384 | 51,342 | 116,912 | 176,638 |
| Less: Capital reserve not shared by the Group | – | – | (27,500) | – | (27,500) | – | – | (18,500) | (18,500) |
| Proportion of the Group's ownership interests in the joint ventures | 51% | 50% | 51% | 51% | varies | 51% | 50% | 51% | varies |
| Net assets of interest in joint ventures attributable to the Group | 4,917 | 19,852 | 57,705 | 5,867 | 88,341 | 4,277 | 25,671 | 50,190 | 80,138 |
| Goodwill | 8,224 | – | – | – | 8,224 | 8,224 | – | – | 8,224 |
| Impairment losses on interests in joint ventures | (8,224) | (8,000) | – | – | (16,224) | (8,224) | – | – | (8,224) |
| Carrying amount of the Group's interests in the joint ventures | 4,917 | 11,852 | 57,705 | 5,867 | 80,341 | 4,277 | 25,671 | 50,190 | 80,138 |

## 21. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

The amount represented the deposit paid to Chongqing Zhaotong Municipal Administration Bureau of Land Resources and Housing for acquisition of land use rights located in Chongqing. The acquisition was completed in February 2015.

## 22. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Details of the related capital commitments are set out in note 36.

## 23. INVENTORIES

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Raw materials | **346,955** | 414,886 |
| Work in progress | **95,190** | 84,831 |
| Finished goods | **1,336,407** | 949,429 |
| | **1,778,552** | 1,449,146 |

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

### (i) Trade and other receivables

| | Notes | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| Trade and bills receivables | | | |
| — SAIC-GM-Wuling Automobile Co., Limited ("SGMW") | (a) | **2,666,890** | 3,266,927 |
| — Guangxi Automobile Group | (b) | **85,062** | 4,281 |
| — Guangxi Weixiang | | **3,915** | 8,053 |
| — third parties | | **1,113,625** | 1,147,301 |
| | | **3,869,492** | 4,426,562 |
| Less: Allowance for doubtful debts | | **(55,334)** | (30,611) |
| | | **3,814,158** | 4,395,951 |
| Other receivables: | | | |
| Prepayments for expenses | | **3,927** | 2,324 |
| Prepayments for purchase of raw materials | (c) | **206,073** | 287,967 |
| Value-added tax recoverable | | **8,945** | 47,057 |
| Others | | **87,383** | 50,954 |
| | | **306,328** | 388,302 |
| Bills receivables discounted with recourse (note 24(ii)) | | **887,215** | 238,900 |
| Total trade and other receivables | | **5,007,701** | 5,023,153 |

Notes:

(a) Guangxi Automobile has significant influence over SGMW.

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

(c) Included in the balance was an amount of RMB3,507,000 (2014: RMB68,853,000) paid to SGMW.

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

## 24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE (continued)

### (i) Trade and other receivables (continued)

Included in trade and other receivables are trade and bills receivables of RMB3,814,158,000 (2014: RMB4,395,951,000) 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:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| 0 to 90 days | 3,080,580 | 3,062,387 |
| 91 to 180 days | 645,850 | 1,295,407 |
| 181–365 days | 78,748 | 20,403 |
| Over 365 days | 8,980 | 17,754 |
| | 3,814,158 | 4,395,951 |

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

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB149,921,000 (2014: RMB79,135,000) which were past due at the end of the reporting period but for which the Group has not provided impairment loss because the Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Group does not hold any collateral over these balances.

**Ageing of trade receivables which were past due but not impaired**

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| 91–180 days | 64,792 | 40,978 |
| 181–365 days | 76,149 | 20,403 |
| Over 365 days | 8,980 | 17,754 |
| Total | 149,921 | 79,135 |

## 24. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE (continued)

### (i) Trade and other receivables (continued)

**Movement in the allowance for doubtful debts**

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| At 1 January | 30,611 | 20,511 |
| Impairment losses recognized on trade receivables | 23,403 | 10,179 |
| Amounts recovered during the year | (1,472) | (71) |
| Exchange adjustments | 2,792 | (8) |
| At 31 December | 55,334 | 30,611 |

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB55,334,000 (2014: RMB30,611,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

### (ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2014: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 31.

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| 91–180 days | 887,215 | 238,900 |

## 25. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2015 and 2014 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see note 31). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Carrying amount of transferred assets | 887,215 | 238,900 |
| Carrying amount of associated liabilities | (881,876) | (238,234) |
| Net position | 5,339 | 666 |

## 26. PLEDGED BANK DEPOSITS/BANK BALANCES

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

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

| | Fixed/variable | 2015 | 2014 |
|---|---|---|---|
| Pledged deposits | Fixed | 2%–3.6% | 2%–3% |
| Bank balances | Variable | 0.01%–1.15% | 0.01%–1.15% |

## 27. TRADE AND OTHER PAYABLES

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Trade and bills payables: | | | |
| — SGMW | | 528,693 | 43,110 |
| — Guangxi Automobile Group | | 114,247 | 51,729 |
| — Qingdao Dianshi | | 12,358 | 2,279 |
| — third parties | | 6,648,712 | 6,237,665 |
| | (i) | 7,304,010 | 6,334,783 |
| Other payables and accruals | (ii) | 1,093,981 | 911,583 |
| Total trade and other payables | | 8,397,991 | 7,246,366 |

Notes:

(i) Included in trade and other payables are trade and bills payables of RMB7,304,010,000 (2014: RMB6,334,783,000) and an aged analysis based on the invoice date is presented as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| 0 to 90 days | 5,325,527 | 4,605,521 |
| 91 to 180 days | 1,888,502 | 1,655,607 |
| 181 to 365 days | 37,770 | 34,443 |
| Over 365 days | 52,211 | 39,212 |
| | 7,304,010 | 6,334,783 |

(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.

## 28. AMOUNT DUE TO A SHAREHOLDER/A RELATED PARTY

### (i) Amount due to a shareholder

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Guangxi Automobile | 219,922 | 191,314 |
| Carrying amount repayable: | | |
| On demand or within one year | 28,608 | – |
| More than one year, but not exceeding two years | 191,314 | 191,314 |
| | 219,922 | 191,314 |
| Less: Amount due within one year shown under current liabilities | (28,608) | – |
| Amounts shown under non-current liabilities | 191,314 | 191,314 |

The entire balance is unsecured and interest-free.

### (ii) Amount due to a related party

The amount represented amount due to Jenpoint Limited, an entity controlled by Mr. Lee. The amount was interest bearing at 4.25% per annum, unsecured and fully settled during the year.

## 29. PROVISION FOR WARRANTY

| | RMB'000 |
|---|---|
| At 1 January 2014 | 158,698 |
| Additional provision in the year | 44,031 |
| Utilization of provision | (38,550) |
| At 31 December 2014 | 164,179 |
| Additional provision in the year | 20,333 |
| Utilization of provision | (33,159) |
| At 31 December 2015 | 151,353 |

The warranty provision represents management's best estimate under its 2-3 years' 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 two years.

## 30. 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 was denominated in HKD and carried interest at 6% per annum with maturity on 12 January 2014. CN 2014 entitled 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 contained two components, being a liability component and a conversion option derivative component. The effective interest rate of the liability component was 11.64%. The conversion option derivative was measured at fair value with changes in fair value recognized in profit or loss.

CN 2014 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 ended 31 December 2014 was as follows:

| | 2014<br>RMB'000 |
|---|---|
| At 1 January | 83,228 |
| Effective interest expense | 499 |
| Interest paid | (4,958) |
| Repayment of principal | (79,159) |
| Exchange difference | 390 |
| At 31 December | – |

### (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 was denominated in HKD and carried interest at 4.25% per annum with maturity on 28 January 2017. CN 2017 entitled 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 30(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 were determined based on a valuation provided by RHL Appraisal Limited ("RHL"). Subsequent to initial recognition, the liability component was carried at amortized cost using the effective interest method at an interest rate of 9.22% per annum.

## 30. CONVERTIBLE LOAN NOTES (continued)

### (b) CN 2017 (continued)

During the year ended 31 December 2014, 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 ended 31 December 2014 was 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 were 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% |

## 31. BANK AND OTHER BORROWINGS

| | Notes | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Secured | | 2,895 | 184,825 |
| Unsecured | | – | 110,205 |
| | | 2,895 | 295,030 |
| Advances drawn on bills receivables discounted with recourse | (i) | 881,876 | 238,234 |
| | | 884,771 | 533,264 |
| Carrying amount repayable on demand or within one year | (ii) | 883,926 | 532,351 |
| Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | | 845 | 913 |
| Amount due within one year shown under current liabilities | | 884,771 | 533,264 |

Notes:

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

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

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Fixed-rate borrowings — on demand or within one year | 881,876 | 488,234 |
| Variable-rate borrowings — on demand or within one year | 2,050 | 44,117 |
| Carrying amount of variable-rate bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment of demand clause (shown under current liabilities) | 845 | 913 |
| | 2,895 | 45,030 |
| Total borrowings | 884,771 | 533,264 |

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

| | 2015 | 2014 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | 3.5% to 6.00% | 3.5% to 6.00% |
| Variable-rate borrowings | 2.39% | 2.18% |

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

(vi) The Group's unsecured bank borrowings and bills payables are supported by corporate guarantee to the extent of RMB3,000,000,000 (2014: RMB3,500,000,000) given by Guangxi Automobile.

## 32. DEFERRED INCOME/AVAILABLE-FOR-SALE INVESTMENT

On 18 May 2013, the Group entered into an agreement with Fujian New Long Ma Automobile Company Limited (福建新龍馬發動機有限公司) ("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.

## 33. DEFERRED TAX LIABILITIES

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

| | Accelerated tax depreciation RMB'000 | Revaluation of properties RMB'000 | Tax losses RMB'000 | Withholding tax on undistributed earnings of the PRC subsidiaries RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 2 | 7,009 | (11) | 9,376 | 16,376 |
| Released upon distribution of dividends | – | – | – | (874) | (874) |
| (Credit) charge to profit or loss | (2) | (3,151) | 2 | 3,381 | 230 |
| At 31 December 2014 | – | 3,858 | (9) | 11,883 | 15,732 |
| Released upon distribution of dividends | – | – | – | (2,323) | (2,323) |
| (Credit) charge to profit or loss | – | (399) | – | 3,929 | 3,530 |
| At 31 December 2015 | – | 3,459 | (9) | 13,489 | 16,939 |

Notes:

(i) At the end of the reporting period, the Group had unused tax losses of RMB237,086,000 (2014: RMB203,614,000). A deferred tax asset has been recognized in respect of tax losses of RMB62,000 as at 31 December 2015 (2014: RMB62,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB237,024,000 (2014: RMB203,552,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB27,212,000 (2014: RMB46,456,000) that will expire within five years. Other tax losses may be carried forward indefinitely.

(ii) At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences amounting to RMB31,638,000 (2014: RMB58,151,000).

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

## 34. SHARE CAPITAL

| | Number of shares | Amount 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 2014, 31 December 2014 and 31 December 2015 | | 101,521 |
| **Issued and fully paid:** | | |
| Ordinary shares of HKD0.004 each | | |
| At 1 January 2014 | 1,172,165,390 | 4,689 |
| Exercise of share options (note 1) | 1,000,000 | 4 |
| Conversion of convertible loan notes | 344,827,586 | 1,379 |
| At 31 December 2014 | 1,517,992,976 | 6,072 |
| Issuance of shares upon Open Offer (note 2) | 303,598,595 | 1,214 |
| At 31 December 2015 | 1,821,591,571 | 7,286 |

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Shown in the consolidated financial statements at the end of the reporting period as | 6,600 | 5,627 |

note 1: During the year ended 31 December 2014, 1,000,000 ordinary shares of the Company of HKD0.004 each were issued upon the exercise of 1,000,000 share options with proceeds of HKD490,000 (equivalent to RMB397,000).

note 2: On 30 July 2015, the Company completed an open offer of 303,598,595 offer shares of HKD0.004 each at a subscription price of HKD0.7 per offer share on the basis of one offer share for every five existing shares of the Company ("Open Offer"). An aggregate proceeds of HKD212,519,000 (equivalent to RMB170,247,000), of which HKD1,214,000 (equivalent to RMB973,000) was credited to share capital and the remaining balance of HKD211,305,000 (equivalent to RMB169,274,000) was credited to share premium.

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

## 35. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, a new share option scheme (the “Share Option Scheme”) with an expiry date on 27 May 2022 was adopted by the Company.

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

### Purpose

Provide incentives and rewards to eligible participants.

### Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

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

182,159,157 ordinary shares, being 10% of the issued share capital.

### Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

### Amount payable on acceptance

HKD1.00

## 35. SHARE OPTION SCHEME (continued)

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

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

Not applicable.

### Basis of determining the exercise price

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

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

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

(c) the nominal value of an ordinary share.

### The remaining life of the scheme

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

## 35. SHARE OPTION SCHEME (continued)

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

### For the year ended 31 December 2015

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| Date of grant | Vesting date | Exercise period | Adjusted exercise price per share (note i) | As at 1 January 2015 | Granted during the year | Adjusted upon completion of Open Offer (note i) | Forfeited during the year (note ii) | As at 31 December 2015 (note i) |
| **Directors** | | | | | | | | |
| 15 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.476 | 15,000,000 | – | 454,500 | – | 15,454,500 |
| **Former Director** | | | | | | | | |
| 15 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.476 | 3,000,000 | – | 90,900 | – | 3,090,900 |
| **Employees (Continuous Contracts)** | | | | | | | | |
| 15 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.476 | 78,240,000 | – | 2,246,442 | (4,872,725) | 75,613,717 |
| 29 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.476 | 450,000 | – | 13,635 | – | 463,635 |
| 20 January 2015 | 5 May 2015 | From 6 May 2015 to 30 June 2016 | HKD0.544 | – | 13,400,000 | 406,020 | – | 13,806,020 |
| | | | | 78,690,000 | 13,400,000 | 2,666,097 | (4,872,725) | 89,883,372 |
| Total | | | | 96,690,000 | 13,400,000 | 3,211,497 | (4,872,725) | 108,428,772 |
| Exercisable at year end | | | | | | | | 108,428,772 |
| Weighted average exercise price | | | | HKD0.490 | HKD0.560 | HKD0.500 | HKD0.490 | HKD0.485 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2015

## 35. SHARE OPTION SCHEME (continued)

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

### For the year ended 31 December 2014

| | | | | Number of share options | | | |
|---|---|---|---|---|---|---|---|
| Date of grant | Vesting date | Exercise period | Exercise price per share | As at 1 January 2014 | Exercised during the year | Forfeited during the year (note ii) | As at 31 December 2014 |
| **Directors** | | | | | | | |
| 15 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.490 | 18,000,000 | – | – | 18,000,000 |
| **Employees (Continuous Contracts)** | | | | | | | |
| 15 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.490 | 85,240,000 | (1,000,000) | (6,000,000) | 78,240,000 |
| 29 June 2012 | 5 October 2012 | From 6 October 2012 to 30 June 2016 | HKD0.490 | 450,000 | – | – | 450,000 |
| | | | | 85,690,000 | (1,000,000) | (6,000,000) | 78,690,000 |
| Total | | | | 103,690,000 | (1,000,000) | (6,000,000) | 96,690,000 |
| Exercisable at year end | | | | | | | 96,690,000 |
| Weighted average exercise price | | | | HKD0.490 | HKD0.490 | HKD0.490 | HKD0.490 |

notes:

(i) The number of Shares entitled to be subscribed for and the exercise prices under the outstanding options have been adjusted upon completion of the Open Offer, details of which may refer to the announcement of the Company dated 29 July 2015.

(ii) During the year ended 31 December 2014 and 2015, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

Included in the share options held by the employees were 1,648,480 share options (2014: 1,600,000 share options) which were granted to an employee of the Company who is the spouse of Mr. Lee.

The fair values of the share options granted on 21 January 2015 were calculated by RHL at HK$1,119,000 (equivalent to RMB882,000) using the Binomial Option Pricing model which is one of the commonly used models for such purpose. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.55. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the model were as follows:

| | |
|---|---|
| Share price | HK$0.55 |
| Exercise price | HK$0.56 |
| Expected volatility | 48.47% |
| Dividend yield | 0.91% |
| Risk-free interest rate | 0.226% |
| Fair value per option | HK$0.0835 |

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

In respect of the share options exercised during the year ended 31 December 2014, the weighted average share price at the dates of exercise is HKD0.49.

## 36. CAPITAL AND OTHER COMMITMENTS

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of: | | |
| — construction in progress | 186,499 | 157,700 |
| — property, plant and equipment | 452,046 | 273,465 |
| | 638,545 | 431,165 |

## 37. PLEDGE OF ASSETS

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Bank deposits | 718,130 | 647,524 |
| Investment properties | 4,590 | 4,168 |
| | 722,720 | 651,692 |

As at 31 December 2015, bills receivables discounted with full recourse amounting to RMB887,215,000 (2014: RMB238,900,000).

## 38. RETIREMENT BENEFITS PLANS

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

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

The total cost charged to profit or loss of RMB59,037,000 (2014: RMB62,384,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 39. NON-CASH TRANSACTIONS

During the year ended 31 December 2015, deposits paid for acquisition of property, plant and equipment of RMB474,434,000 (2014: RMB299,334,000) were transferred to property, plant and equipment.

## 40. OPERATING LEASES

### The Group as lessor

Property rental income from investment properties earned during the year was RMB125,000 (2014: RMB118,000). One of the Group's investment properties is held for rental purpose. It is expected to generate rental yields of 5% (2014: 5%) on an ongoing basis. The property held has committed tenants for the next year (2014: next year).

Machinery and other property rental income earned during both years are disclosed in note 7(b). At 31 December 2015 and 2014, all machineries held had no significant committed lessee.

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Within one year | 167 | 170 |
| In the second to fifth year inclusive | 52 | – |
| | 219 | 170 |

### The Group as lessee

Minimum lease payments made under operating leases during the year was RMB41,282,000 (2014: RMB35,259,000).

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Within one year | 37,749 | 34,482 |
| In the second to fifth year inclusive | 73,365 | 824 |
| | 111,114 | 35,306 |

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

## 41. RELATED PARTY DISCLOSURES

### (i) Related party transactions

| Company | Transactions | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| SGMW | Sales by the Group (Note 6) | **9,421,026** | 7,792,017 |
| | Purchases of materials by the Group | **3,140,594** | 1,692,714 |
| | Warranty costs incurred by the Group | **3,239** | 3,161 |
| | Service income for warehouse management and related services | **1,199** | 1,776 |
| Guangxi Automobile Group | Sales of: | | |
| | Raw materials and automobile components by the Group (note) | **181,487** | 341,421 |
| | Provision of water and power supply services by the Group (note) | **2,688** | 2,913 |
| | | **184,175** | 344,334 |
| | Purchase of: | | |
| | Automobiles components and other accessories by the Group (note) | **74,712** | 174,968 |
| | Mini passenger buses by the Group (note) | **267,995** | 290,660 |
| | Air-conditioning parts and accessories by the Group (note) | **5,334** | 6,904 |
| | Electronic devices and components by the Group (note) | **6,738** | 9,297 |
| | | **354,779** | 481,829 |
| | License fee paid by the Group (note) | **1,300** | 1,300 |
| | Rental expenses paid by the Group (see vi below) (note) | **27,925** | 24,597 |
| | Interest expenses paid by the Group on | | |
| | — Amount due to a shareholder | **141** | 2,349 |
| | — Advances drawn on bills receivables (see v below) | **32,378** | 28,681 |
| Qingdao Dianshi | Purchase of automobiles components and other accessories by the Group | **118,279** | 53,150 |
| | Sales of raw materials and automobile components by the Group | **18,434** | – |
| Guangxi Weixiang | Sales of raw materials and automobile components by the Group | **37,714** | 53,609 |
| | Purchase of automobiles components and other accessories by the Group | **33,954** | 20,091 |

Note: These transactions are considered as continuing connected transaction under the Rule Governing the Listing of Securities on the Stock Exchange. Details of these continuing connected transactions are described in the Report of Director under the heading "Continuing Connected Transactions" on pages 59 to 61 of this annual report.

## 41. RELATED PARTY DISCLOSURES (continued)

### (ii) Related party balances

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

### (iii) Guarantees provided

The guarantees provided to the Group and by Guangxi Automobile are set out in note 31(vi).

### (iv) Compensation of key management personnel

The remuneration of the Group's key management during the year was as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Short-term benefits | 9,796 | 10,726 |
| Post-employment benefits | 789 | 1,082 |
| | 10,585 | 11,808 |

### (v) Provision of facility

During the year, Guangxi Automobile agreed to provide a facility to the Group, whereby the Group could discount, without recourse, its bills receivables to Guangxi Automobile to the extent of RMB3,000,000,000 (2014: RMB1,000,000,000). The discounting rate per annum was the lower of 90% of market discounting rate or a fixed rate of 3.5% for both years. During the year, the Group discounted bills receivables of RMB1,860,000,000 (2014: RMB2,576,000,000) to Guangxi Automobile with a maturity period less than 180 days and at an average discount rate of 3.5% per annum.

### (vi) Commitments

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Within one year | 36,655 | 33,069 |
| In the second to fifth year inclusive | 73,311 | – |
| | 109,966 | 33,069 |

### (vii) Convertible loan notes

Details of the convertible loan notes issued to Wuling HK in 2009 and 2014 and converted during the year ended 31 December 2014 were set out in note 30.

## 42. CAPITAL RISK MANAGEMENT

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

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

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

## 43. FINANCIAL INSTRUMENTS

### (i) Categories of financial instruments

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | 6,717,506 | 5,535,081 |
| Available-for-sale investment | 22,000 | 22,000 |
| **Financial liabilities** | | |
| Amortized cost | 8,714,792 | 7,309,825 |

### (ii) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, bills receivables discounted with recourse, pledged bank deposits, bank balances, trade and other payables, amount due to a shareholder, amount due to a related party and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (a) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 0.2% of the Group's sales are denominated in currencies other than the functional currency of the relevant group entities making the sale, whilst almost 99.8% of costs are denominated in the relevant group entity's functional currency.

## 43. FINANCIAL INSTRUMENTS (continued)

### (ii) Financial risk management objectives and policies (continued)

#### (a) Currency risk (continued)

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2015 RMB'000** | 2014 RMB'000 | **2015 RMB'000** | 2014 RMB'000 |
| HKD | **764** | 825 | **2,895** | 37,147 |
| USD | **25** | 30 | **–** | – |

*Sensitivity analysis*

The Group is mainly exposed to HKD and USD.

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Impact on post-tax profit | | |
| — HKD | **91** | 1,544 |
| — USD | **(1)** | (1) |

#### (b) Interest rate risk

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

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

## 43. FINANCIAL INSTRUMENTS (continued)

### (ii) Financial risk management objectives and policies (continued)

#### (b) Interest rate risk (continued)

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

*Sensitivity analysis*

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

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease by RMB12,000 (2014: RMB188,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

#### (c) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statement of financial position.

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

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 24) which represents 70% (2014: 74%) of the total trade and bills receivables as at 31 December 2015. For both years, SGMW, which is a well known private company engaging in the business of manufacturing and sales of automobiles in Guangxi, the PRC, has good financial position by reference to its respective financial statements, which are regularly reviewed by Guangxi Automobile. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In view of the significant balance due from SGMW, the Group has kept regular contact with SGMW for updated information. In addition, as Guangxi Automobile has representative in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

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

## 43. FINANCIAL INSTRUMENTS (continued)

### (ii) Financial risk management objectives and policies (continued)

#### (d) Liquidity risk

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

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

The Group is exposed to liquidity risk to being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of the Group as at 31 December 2015 was RMB835,503,000 (2014: RMB648,070,000). In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 2.

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

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

| | Weighted average effective interest rate % | On demand or less than 1 month RMB'000 | 1–3 months RMB'000 | 3 months to 1 year RMB'000 | 1–5 years RMB'000 | More than 5 years RMB'000 | Total undiscounted cash flow RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | – | 4,829,883 | 801,733 | 1,926,272 | 52,211 | – | 7,610,099 | 7,610,099 |
| Amount due to a shareholder | – | 28,608 | – | – | 191,314 | – | 219,922 | 219,922 |
| Bank borrowings | | | | | | | | |
| — fixed rate | 4.50 | 845 | – | – | – | – | 845 | 845 |
| — variable rate | 2.39 | 2,058 | – | – | – | – | 2,058 | 2,050 |
| Other borrowings | | | | | | | | |
| — advances drawn on bills receivables discounted with recourse | 4.83 | 206,907 | 397,535 | 307,241 | – | – | 911,683 | 881,876 |
| | | 5,068,301 | 1,199,268 | 2,233,513 | 243,525 | – | 8,744,607 | 8,714,792 |

## 43. FINANCIAL INSTRUMENTS (continued)

### (ii) Financial risk management objectives and policies (continued)

#### (d) Liquidity risk (continued)

| | Weighted average effective interest rate % | On demand or less than 1 month RMB'000 | 1–3 months RMB'000 | 3 months to 1 year RMB'000 | 1–5 years RMB'000 | More than 5 years RMB'000 | Total undiscounted cash flow RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | – | 4,332,458 | 645,171 | 1,604,383 | – | – | 6,582,012 | 6,582,012 |
| Amount due to a related party | | | | | | | | |
| — fixed rate | 4.25 | 3,151 | – | – | – | – | 3,151 | 3,140 |
| — non-interest bearing | – | 95 | – | – | – | – | 95 | 95 |
| Amount due to a shareholder | | | | | | | | |
| — fixed rate | – | – | – | – | 191,314 | – | 191,314 | 191,314 |
| Bank borrowings | 4.50 | 251,834 | – | – | – | – | 251,834 | 250,913 |
| — variable rate | 2.18 | 44,196 | – | – | – | – | 44,196 | 44,117 |
| Other borrowings | | | | | | | | |
| — advances drawn on bills receivables discounted with recourse | 4.83 | – | – | 246,813 | – | – | 246,813 | 238,234 |
| | | 4,631,734 | 645,171 | 1,851,196 | 191,314 | – | 7,319,415 | 7,309,825 |

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2015, the aggregate undiscounted principal amounts of these bank loans amounted to RMB845,000 (2014: RMB913,000). Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank borrowings would be repaid 2 to 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to RMB902,000 (2014: RMB1,127,000).

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

### (iii) Fair value measurements of financial instruments

**Fair value of financial instruments that are recorded at amortized cost**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values at the end of the reporting period, except for the available-for-sale investment measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2015 and 2014 are as follows:

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| TOTAL ASSETS | | | |
| Property, plant and equipment | | 126 | 188 |
| Unlisted investments in subsidiaries | | 494,820 | 494,820 |
| Dividend receivables | | 26,135 | – |
| Prepayments and deposits | | 599 | 2,135 |
| Cash and cash equivalents | | 125,282 | 14,090 |
| | | 646,962 | 511,233 |
| TOTAL LIABILITIES | | | |
| Other payables and accruals | | 3,047 | 3,085 |
| Amounts due to subsidiaries | | 2,057 | 35,163 |
| Amount due to a related party | | – | 3,235 |
| Bank borrowings | | 1,985 | 33,912 |
| | | 7,089 | 75,395 |
| NET ASSETS | | 639,873 | 435,838 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 6,600 | 5,627 |
| Reserves | (i) | 633,273 | 430,211 |
| TOTAL EQUITY | | 639,873 | 435,838 |

Note:

(i) **Reserves**

| | Share premium RMB'000 | Contributed surplus RMB'000 | Share option reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 830 | 94,381 | 17,598 | 152,435 | 265,244 |
| Profit and total comprehensive income for the year | – | – | – | 9,782 | 9,782 |
| Exercise of share options | 542 | – | (148) | – | 394 |
| Forfeiture of share options | – | – | (901) | 901 | – |
| Conversion of convertible note | 160,795 | – | – | – | 160,795 |
| Dividend recognized as distribution | – | – | – | (6,004) | (6,004) |
| At 31 December 2014 | 162,167 | 94,381 | 16,549 | 157,114 | 430,211 |
| Profit and total comprehensive income for the year | – | – | – | 38,380 | 38,380 |
| Share issued under Open Offer | 169,274 | – | – | – | 169,274 |
| Forfeiture of share options | – | – | (748) | 748 | – |
| Recognition of equity settled share-based payment | – | – | 1,365 | – | 1,365 |
| Dividend recognized as distribution | – | – | – | (5,957) | (5,957) |
| At 31 December 2015 | 331,441 | 94,381 | 17,166 | 190,285 | 633,273 |

The Company's contributed surplus represents (a) the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganization on 30 November 1992, over the nominal value of the Company's shares issued in exchange therefore; (b) the transfer of the credit arising from the cancellation of the paid-up capital in the reduction of the par value of each issued ordinary share. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but is not presently qualified to do so; and (c) the transfer of the credit arising from the share premium and the absorption of accumulated losses on 27 May 2011.

## 45. PRINCIPAL SUBSIDIARIES

### (i) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2015 and 2014 are as follows:

| Name of subsidiary | Class of shares held | Place and date of establishment/ incorporations | Nominal value of issued capital/ registered capital/ fully paid capital | Interest holdings | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | 2015 | | 2014 | | |
| | | | | Direct % | Indirect % | Direct % | Indirect % | |
| Wuling Industrial | N/A | The PRC 30 October 2006 (note iii) | RMB960,000,000 | 50.98 (note i) | – | 50.98 (note i) | – | Investment holding, manufacture and sale of automobile components and spare parts, specialized vehicles and other industrial services |
| 柳州五菱柳機動力有限公司 Liuji Motors | N/A | The PRC 16 June 1993 (note iii) | RMB100,125,389 | – | 50.98 (note ii) | – | 50.98 (note ii) | Manufacture and sale of petrol engines and motor cycles engines |
| 無錫五菱動力機械有限責任公司 | N/A | The PRC 15 July 2005 (note iii) | RMB6,000,000 | – | 34.67 (note ii) | – | 26 (note ii) | Manufacture and sale of accessories of motor vehicles |
| 柳州卓達汽車部件有限公司 ("formerly known as 柳州長鵬汽車零部件有限公司") | N/A | The PRC 27 June 2012 (note iii) | RMB25,000,000 | – | 51 (note ii) | – | 26 (note ii) | Manufacture and sale of accessories of motor vehicles |
| 吉林綽豐柳機內燃機有限公司 | N/A | The PRC 31 March 2012 (note iii) | RMB38,000,000 | – | 38.24 (note ii) | – | 38.24 (note ii) | Manufacture and sale of combustion engines |
| 柳州卓通汽車零部件有限公司 | N/A | The PRC 21 November 2013 (note iii) | RMB10,000,000 | – | 50.98 (note ii) | – | 50.98 (note ii) | Manufacture and sale of accessories of motor vehicles |
| 重慶卓通汽車零件部有限公司 Chongqing Zhaotong Automotive Parts and Components Company Limited ("Chongqing Zhaotong") | N/A | The PRC 19 May 2014 | RMB30,000,000 | – | 50.98 (note ii) | – | 50.98 (note ii) | Manufacture and sale of accessories of motor vehicles |
| Watary Investments Limited | Ordinary | British Virgin Islands/ Hong Kong | USD36,000 | 100 | – | 100 | – | Investment holding |
| Dragon Hill (HK) Limited | Ordinary | Hong Kong | HKD200,000 | – | 100 | – | 100 | Trading of marketable securities |
| DH Corporate Services Limited | Ordinary | Hong Kong | HKD2 | – | 100 | – | 100 | Provision of administrative services |

## 45. PRINCIPAL SUBSIDIARIES (continued)

### (i) General information of subsidiaries (continued)

Notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and Guangxi Automobile in 2007, the Company has control on Wuling Industrial, and the Company shares profit or loss of Wuling Industrial according to the amount of its paid up capital contribution in Wuling Industrial. The profit sharing ratio at 31 December 2015 of the Company and Guangxi Automobile in Wuling Industrial were 50.98% and 49.02%, respectively (2014: 50.98% and 49.02%).

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

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

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

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are operated in the PRC. The principal activities of these subsidiaries are summarized as follows:

| Principal activities | Principal place of business | Number of subsidiaries 2015 | 2014 |
|---|---|---|---|
| Manufacture and sale of engine | PRC | 1 | 1 |
| Manufacture and sale of special vehicles | PRC | 1 | 1 |
| Inactive | Hong Kong | 3 | 3 |

### (ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

| Name of subsidiary | Place of establishment and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | | % | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Wuling Industrial | PRC | 49.02 | 49.02 | 98,543 | 95,348 | 848,206 | 734,415 |

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

## 45. PRINCIPAL SUBSIDIARIES (continued)

### (ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

| | Wuling Industrial | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| Current assets | 8,556,425 | 7,295,621 |
| Non-current assets | 2,936,763 | 2,470,565 |
| Current liabilities | 9,549,715 | 7,999,566 |
| Non-current liabilities | 213,147 | 268,425 |
| Equity attributable to owners of Wuling Industrial | 882,120 | 763,780 |
| Equity attributable to the non-controlling interests | 848,206 | 734,415 |

| | Year ended 31.12.2015 RMB'000 | Year ended 31.12.2014 RMB'000 |
|---|---|---|
| Revenue | 13,451,118 | 12,138,544 |
| Cost of sales | 11,930,210 | 10,764,941 |
| Profit and total comprehensive income for the year | 201,026 | 154,240 |
| Profit and total comprehensive income attributable to the non-controlling interests | 98,543 | 61,727 |
| Dividends paid to non-controlling interests | 94,126 | 169,719 |
| Net cash inflow from operating activities | 1,322,179 | 1,291,953 |
| Net cash outflow from investing activities | (739,749) | (492,319) |
| Net cash inflow (outflow) from financing activities | 279,496 | (905,331) |
| Net cash inflow (outflow) | 861,926 | (105,697) |

## 46. EVENT AFTER THE END OF THE REPORTING PERIOD

On 29 February 2016, the Company completed the contribution, on a non pro-rata basis, a sum of RMB160,000,000 in cash to Wuling Industrial, a non-wholly-owned subsidiary of the Company, of which RMB82,580,646 was contributed to the registered capital of Wuling Industrial and RMB77,419,354 was contributed to the capital reserves of Wuling Industrial pursuant to a capital increase agreement entered into by the Company, Guangxi Automobile and Wuling Industrial on 3 December 2015, details of which were disclosed in the Company's announcement dated 3 December 2015 and the Company's circular dated 24 December 2015. Accordingly, the equity interests of the Company in Wuling Industrial has been increased from 50.98% to 54.86%.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wei Hongwen *(Chairman)*
Mr. Lee Shing
*(Vice-chairman and Chief Executive Officer)*
Mr. Sun Shaoli
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji (resigned on 17 July 2015)

### Independent Non-Executive Directors

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

## AUDIT COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Zuo Duofu
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

## REMUNERATION COMMITTEE

Mr. Zuo Duofu *(Chairman)*
Mr. Ye Xiang
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

## NOMINATION COMMITTEE

Mr. Wei Hongwen *(Chairman)*
redesignated as Chairman on 20 March 2015)
Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Lee Shing
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

## COMPANY SECRETARY

Mr. Lai Shi Hong Edward

## AUDITORS

Deloitte Touche Tohmatsu

## SOLICITOR

Sidley Austin

## PRINCIPAL BANKERS

### Hong Kong

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

### PRC

China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
Bank of China
Shanghai Pudong Development Bank

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2403
24/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

## REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## STOCK CODE

Stock Exchange of Hong Kong: 305

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