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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change
	RMB'000	*RMB'000*	*(%)*
Revenue	**16,677,695**	13,451,243	+24.0%
Gross profit	**1,879,505**	1,521,033	+23.6%
Profit for the year	**280,273**	170,052	+64.8%
Profit attributable to the owners of the Company	**140,462**	82,212	+70.9%
Earnings per share			
Basic	**RMB7.67 cents**	RMB4.92 cents	+55.9%
Diluted	**RMB7.63 cents**	RMB4.83 cents	+58.0%
Final dividend	**HKD1.25 cents**	HKD0.75 cent	+66.7%

RESULTS

The board of directors (the "Board") of Wuling Motors Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **RMB'000**	2015 RMB'000
Revenue	*4&5*	**16,677,695**	13,451,243
Cost of sales		**(14,798,190)**	(11,930,210)
Gross profit		**1,879,505**	1,521,033
Other income	*5*	**102,449**	68,453
Other gains and losses	*5*	**(32,031)**	(30,933)
Selling and distribution costs		**(317,635)**	(299,720)
General and administrative expenses		**(802,397)**	(663,151)
Research and development expenses		**(329,433)**	(268,432)
Share of results of joint ventures		**(11,039)**	(12,752)
Finance costs	*6*	**(89,536)**	(72,484)
Profit before taxation		**399,883**	242,014
Income tax expense	*7*	**(119,610)**	(71,962)
Profit for the year	*8*	**280,273**	170,052
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**263**	954
Total comprehensive income for the year		**280,536**	171,006
Profit for the year attributable to:			
Owners of the Company		**140,462**	82,212
Non-controlling interests		**139,811**	87,840
		280,273	170,052
Total comprehensive income attributable to:			
Owners of the Company		**140,725**	83,166
Non-controlling interests		**139,811**	87,840
		280,536	171,006
Earnings per share	*10*		
Basic		**RMB7.67 cents**	RMB4.92 cents
Diluted		**RMB7.63 cents**	RMB4.83 cents
Dividend	*9*		
Interim dividend		**Nil**	Nil
Final dividend		**HKD1.25 cents**	HKD0.75 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	**2016** **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,474,743**	2,154,838
Prepaid lease payments		**244,887**	250,961
Premium on prepaid lease payments		**848**	873
Investment properties		**8,532**	8,610
Intangible assets		**—**	628
Interests in joint ventures		**103,916**	80,341
Deposits paid for acquisition of property, plant and equipment		**304,944**	433,437
Available-for-sale investment	*11*	**10,000**	22,000
		3,147,870	2,951,688
CURRENT ASSETS			
Inventories	*12*	**1,468,151**	1,778,552
Trade and other receivables	*13*	**5,898,441**	5,007,701
Prepaid lease payments		**6,088**	6,088
Pledged bank deposits		**302,630**	718,130
Bank balances and cash		**1,559,741**	1,175,393
		9,235,051	8,685,864
CURRENT LIABILITIES			
Trade and other payables	*15*	**8,657,663**	8,397,991
Amount due to a shareholder		**—**	28,608
Provision for warranty	*16*	**162,952**	151,353
Tax payable		**153,553**	58,644
Bank borrowings	*17*	**55,903**	2,895
Advances drawn on bills receivable discounted with recourse	*17*	**1,177,555**	881,876
		10,207,626	9,521,367
NET CURRENT LIABILITIES		**(972,575)**	(835,503)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,175,295**	2,116,185

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Amount due to a shareholder		**—**	191,314
Deferred income	11	**16,805**	18,272
Deferred tax liabilities		**23,319**	16,939
		40,124	226,525
		2,135,171	1,889,660
CAPITAL AND RESERVES			
Share capital	18	**6,648**	6,600
Reserves		**1,169,497**	1,034,913
Equity attributable to owners of the Company		**1,176,145**	1,041,513
Non-controlling interests		**959,026**	848,147
		2,135,171	1,889,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 (Hong Kong) Holdings Limited ("Wuling HK") and its ultimate parent is Guangxi Automobile Holdings Limited* 廣西汽車集團有限公司 ("Guangxi Automobile").

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

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceed its current assets by approximately RMB973 million (2015: approximately RMB836 million) as at 31 December 2016. 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 banking facilities for issuance of bills payables and bank borrowings, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

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.

* *for identification purpose only*

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

Amendments to HKFRSs that are mandatory effective for the current year

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 HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of the amendments 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[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 HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2017.
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are described below:

- All recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized 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 amortized 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 fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are generally 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.

- 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 directors anticipate that the adoption of HKFRS 9 in the future may have a 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 2016. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group perform a detailed review.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has certain non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete 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. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

For the year ended 31 December 2016

	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*
Revenue						
External sales	**3,869,040**	**10,542,987**	**2,265,526**	**142**	**—**	**16,677,695**
Inter-segment sales	**59,060**	**5,361**	**—**	**—**	**(64,421)**	**—**
Total	**3,928,100**	**10,548,348**	**2,265,526**	**142**	**(64,421)**	**16,677,695**
Segment profit (loss)	**160,992**	**326,320**	**33,290**	**(12,284)**		**508,318**
Bank interest income						**45,969**
Impairment loss on available-for-sale investment						**(12,000)**
Impairment loss on intangible assets						**(547)**
Central administrative costs						**(41,282)**
Share of results of joint ventures						**(11,039)**
Finance costs						**(89,536)**
Profit before taxation						**399,883**

For the year ended 31 December 2015

	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*
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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represents the profit earned by/loss incurred by each segment without the allocation of central administrative costs, bank interest income, impairment loss on available-for-sales investment, impairment loss on intangible assets, impairment loss on interest in a joint venture, share of results of joint ventures and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

Segment assets and liabilities

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

At 31 December 2016

	Engines and related parts *RMB'000*	**Automotive components and other industrial services** *RMB'000*	**Specialized vehicles** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Assets					
Segment assets	**2,927,233**	**5,702,334**	**1,758,729**	**18,338**	**10,406,634**
Interests in joint ventures					**103,916**
Available-for-sale investment					**10,000**
Pledged bank deposits					**302,630**
Bank balances and cash					**1,559,741**
Consolidated assets					**12,382,921**
Liabilities					
Segment liabilities	**2,584,599**	**5,674,485**	**1,750,410**	**5,481**	**10,014,975**
Bank borrowings					**55,903**
Tax payable					**153,553**
Deferred tax liabilities					**23,319**
Consolidated liabilities					**10,247,750**

At 31 December 2015

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
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

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, bank borrowings, tax payables and deferred tax liabilities are not allocated to the segments.

Other segment information

For the year ended 31 December 2016

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	46,477	526,819	2,790	—	576,086
Depreciation of property, plant and equipment	70,404	121,019	6,369	99	197,891
Release of prepaid lease payments	866	5,208	—	—	6,074
Release of premium on prepaid lease payments	—	25	—	—	25
Gain on disposal of property, plant and equipment	7	4,736	1,414	—	6,157
Allowance for inventories	4,641	626	—	—	5,267
Impairment loss reversed in respect of trade receivables	(3,740)	—	—	—	(3,740)
Impairment losses recognized on trade receivables	17,495	11,070	—	—	28,565
Research and development expenses	27,537	232,511	69,385	—	329,433
Loss on revaluation of investment properties	—	—	—	(642)	(642)

For the year ended 31 December 2015

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
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)

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.

	2016 *RMB'000*	2015 *RMB'000*
The PRC (excluding Hong Kong)	**16,667,256**	13,447,887
Hong Kong	**142**	221
Others	**10,297**	3,135
Consolidated	**16,677,695**	13,451,243

(b) *Non-current assets*

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

	2016	2015
	RMB'000	*RMB'000*
Hong Kong	**8,614**	9,412
Philippines	**—**	615
The PRC (excluding Hong Kong)	**3,077,345**	2,919,661
Indonesia	**51,911**	—
	3,137,870	2,929,688

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 followings operating segments, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Engines and related parts	**3,188,445**	2,695,250
Automotive components and other industrial services	**9,890,596**	6,697,070
Specialized vehicles	**5,932**	28,706
	13,084,973	9,421,026

5. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

	2016	2015
	RMB'000	*RMB'000*
Sales of:		
— Engines	**3,741,295**	3,512,212
— Engines related parts	**127,745**	108,554
— Automotive components and accessories	**9,610,336**	6,830,013
— Specialized vehicles	**2,265,526**	2,141,264
Trading of raw materials	**757,442**	659,690
Provision of water and power supply	**175,209**	199,385
	16,677,553	13,451,118
Gross property rental income from investment properties	**142**	125
	16,677,695	13,451,243

(b) Details of other income are as follows:

	2016	2015
	RMB'000	*RMB'000*
Sales of scrap materials and parts	**28,306**	549
Bank interest income	**45,969**	36,823
Service income on repairs and maintenance	**7,106**	12,199
Machinery and other property rental income	**3,590**	3,446
Amortisation of deferred income	**1,467**	1,467
Trading of timber	**—**	24
Government grants	**12,318**	7,539
Others	**3,693**	6,406
	102,449	68,453

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

	2016	2015
	RMB'000	*RMB'000*
Gain on derecognition of trade and other payables	**—**	4,821
Impairment loss reversed in respect of trade receivables	**3,740**	1,472
Impairment loss on interest in a joint venture	**—**	(8,000)
(Loss) gain on revaluation of investments properties	**(642)**	137
Foreign exchange losses, net	**(174)**	(492)
Gain (loss) on disposal of property, plant and equipment	**6,157**	(5,468)
Impairment losses recognized on trade receivables	**(28,565)**	(23,403)
Impairment loss on available-for sale investment	**(12,000)**	—
Impairment loss on intangible assets	**(547)**	—
	(32,031)	(30,933)

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interests on:		
— amount due to a related party	**—**	317
— amount due to a shareholder	**—**	141
— borrowings wholly repayable within five years	**10,724**	10,866
— advances drawn on bills receivables (Note)	**78,812**	61,160
	89,536	72,484

Note: During the year ended 31 December 2016, interest of RMB26,062,000 (2015: RMB32,378,000) was paid to a shareholder in respect of bills discounted to that shareholder.

7. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	**111,407**	69,963
Withholding tax on dividend distribution	**298**	2,323
Under (over) provision in prior years	**1,525**	(1,531)
	113,230	70,755
Deferred tax		
Current year	**6,380**	1,207
	119,610	71,962

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 Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors") are approved as enterprises that satisfied as a High-New Technology Enterprise and entitle the preferential tax rate of 15% in 2015 and 2016.

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.

During the year, deferred tax of RMB6,243,000 (2015: RMB3,929,000) 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.

8. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**2,884**	5,243
Other staff costs:		
Salaries, bonus and other benefits	**750,158**	697,946
Retirement benefit scheme contributions, excluding directors	**51,913**	58,782
Total staff costs	**804,955**	761,971
Less: staff costs (capitalized in inventories)	**415,256**	401,088
Total staff costs (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**389,699**	360,883
Gross property rental income from investment properties, net of negligible outgoings	**(142)**	(125)
Auditor's remuneration	**1,586**	1,532
Cost of inventories recognized as an expense (note)	**14,798,190**	11,930,210
Total depreciation of property, plant and equipment	**197,891**	201,042
Less: Amounts capitalized in inventories	**135,463**	125,462
Total depreciation of property, plant and equipment (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**62,428**	75,580
Release of prepaid lease payments (included in general and administrative expenses)	**6,074**	5,739
Release of premium on prepaid lease payments (included in general and administrative expenses)	**25**	24
Transportation costs (included in selling and distribution costs)	**163,208**	178,101

note: Included in arriving at cost of inventories is an amount of RMB5,267,000 recognized as allowance for inventories (2015: RMB11,604,000).

9. DIVIDEND

	2016	2015
	RMB'000	*RMB'000*
Dividends recognized as distribution during the year:		
2015 Final dividend of HKD0.75 cent (2015: 2014 final dividend of HKD0.5 cent) per share	**11,790**	5,957

Subsequent to the end of the reporting period, a final dividend of HKD1.25 cents per share amounting to approximately HKD22,948,000 (or equivalent to RMB20,544,000) in respect of the year ended 31 December 2016 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit of the year attributable to owners of the Company)	**140,462**	82,212
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,830,280**	1,669,960
Effect of dilutive potential ordinary shares in respect of share options	**10,172**	32,572
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,840,452**	1,702,532

11. DEFERRED INCOME/AVAILABLE-FOR-SALE INVESTMENT

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

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

During the year ended 31 December 2016, upon completion of a restructure exercise of New Long Ma, the Group's equity interest in New Long Ma was decreased to 1.47%. In addition, New Long Ma suffered loss during the year ended 31 December 2016 and the directors of the Company considered a decline in the fair value of the Group's equity interest in New Long Ma is expected. Accordingly, an impairment loss of RMB12,000,000 was recognized in profit or loss during the year ended 31 December 2016.

12. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**273,034**	346,955
Work in progress	**202,817**	95,190
Finished goods	**992,300**	1,336,407
	1,468,151	1,778,552

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

(i) Trade and other receivables

		2016	2015
	Notes	***RMB'000***	*RMB'000*
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**3,269,474**	2,666,890
— Guangxi Automobile Group	*(b)*	**54,357**	85,062
— Guangxi Weixiang Machinery Company Limited		**3,177**	3,915
— third parties		**891,915**	1,113,625
		4,218,923	3,869,492
Less: Allowance for doubtful debts		**(81,485)**	(55,334)
		4,137,438	3,814,158
Other receivables:			
Prepayments for expenses		**—**	3,927
Prepayments for purchase of raw materials	*(c)*	**331,374**	206,073
Value-added tax recoverable		**153,826**	8,945
Others		**90,443**	87,383
		575,643	306,328
Bills receivables discounted with recourse *(Note 13(ii))*		**1,185,360**	887,215
Total trade and other receivables		**5,898,441**	5,007,701

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 RMB22,558,000 (2015: RMB3,507,000) paid to SGMW.

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

Included in trade and other receivables are trade and bills receivables of RMB4,137,438,000 (2015: RMB3,814,158,000) and an aged analysis of trade receivables (net of allowance for doubtful debts) and bills receivables based on the invoice date are presented as follows:

	2016	2015
	RMB'000	*RMB'000*
0–90 days	**3,909,308**	3,080,580
91–180 days	**152,477**	645,850
181–365 days	**69,268**	78,748
Over 365 days	**6,385**	8,980
	4,137,438	3,814,158

(ii) Bills receivables discounted with full recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2015: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in Note 17.

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

	2016	2015
	RMB'000	*RMB'000*
91–180 days	**685,914**	310,525
181–365 days	**499,446**	576,690
	1,185,360	887,215

14. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2016 and 2015 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 17). 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:

	2016 *RMB'000*	2015 *RMB'000*
Carrying amount of transferred assets	**1,185,360**	887,215
Carrying amount of associated liabilities	**(1,177,555)**	(881,876)
Net position	**7,805**	5,339

15. TRADE AND OTHER PAYABLES

	2016 *RMB'000*	2015 *RMB'000*
Trade and bills payables:		
— SGMW	**614,923**	528,693
— Guangxi Automobile Group	**168,051**	114,247
— Qingdao Dianshi Motor Accessories Company Limited	**3,478**	12,358
— third parties	**6,208,972**	6,648,712
	6,995,424	7,304,010
Receipt in advance from customers	**381,974**	144,582
Value added tax payables	**128,246**	—
Accrued research and development expenses	**378,410**	276,256
Accrued staff costs	**171,686**	174,478
Other tax payables	**245,310**	170,826
Payables for acquisition of property, plant and equipment	**73,356**	41,455
Deposits received from suppliers	**95,497**	77,738
Other payables	**187,760**	208,646
Total trade and other payables	**8,657,663**	8,397,991

An aged analysis of trade and bills payables based on the invoice date is presented as follows:

	2016 *RMB'000*	2015 *RMB'000*
0 to 90 days	**4,583,935**	5,325,527
91 to 180 days	**2,129,273**	1,888,502
181 to 365 days	**146,992**	37,770
Over 365 days	**135,224**	52,211
	6,995,424	7,304,010

16. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2015	164,179
Additional provision in the year	20,333
Utilization of provision	(33,159)
At 31 December 2015	151,353
Additional provision in the year	45,795
Utilization of provision	(34,196)
At 31 December 2016	**162,952**

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.

17. BANK BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2016 *RMB'000*	2015 *RMB'000*
Secured	**55,903**	2,895
Carrying amount repayable on demand or within one year *(Note i)*	**55,073**	2,050
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)	**830**	845
Amount due within one year shown under current liabilities	**55,903**	2,895
Advances drawn on bills receivables discounted with recourse *(Note ii)*	**1,177,555**	881,876

Notes:

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

(ii) The amounts represent the Group's other borrowings secured by bills receivables discounted to banks with recourse (see note 13(ii)).

18. 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 2015, 31 December 2015 and 31 December 2016		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2015	1,517,992,976	6,072
Issuance of shares upon Open Offer *(Note 1)*	303,598,595	1,214
At 31 December 2015	1,821,591,571	7,286
Exercise of share options *(Note 2)*	14,230,270	57
At 31 December 2016	1,835,821,841	7,343

	2016	2015
	RMB'000	*RMB'000*
Shown in the consolidated financial statements at the end of the reporting period as	**6,648**	6,600

Notes:

(1) 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 HKD0.70 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.

(2) During the year ended 31 December 2016, 14,230,270 ordinary shares of the Company of HKD0.004 each were issued upon exercises of 14,230,270 share options with proceeds of HKD6,774,000 (equivalent to RMB5,697,000).

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

19. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 13 October 2016, the Company entered into the following agreements:

(1) A capital increase agreement (the "Capital Increase Agreement") with Guangxi Automobile and Wuling Industrial pursuant to which the Company conditionally agreed to contribute an additional sum of RMB590,000,000 (equivalent to approximately HK$686,170,000) in cash for the capital increase in two instalments, of which RMB279,601,173 (equivalent to approximately HK$325,176,200) will be contributed to the registered capital of Wuling Industrial and RMB310,398,827 (equivalent to approximately HK$360,993,800) will be contributed to the capital reserves of Wuling Industrial (the "Capital Increase"). Upon completion of the Capital Increase, the registered capital of Wuling Industrial will be increased by approximately 26.82% and the Company's equity interest in Wuling Industrial on an enlarged basis will be increased by approximately 9.55% to approximately 64.41% and the remaining 35.59% will be owned by Guangxi Automobile;

(2) a subscription agreement (the "Subscription Agreement") with Wuling HK pursuant to which the Company conditionally agreed to issue, and Wuling HK conditionally agreed to subscribe for, the Convertible Notes A in the aggregate principal amount of HK$400,000,000 (the "Subscription");

(3) a placing agreement (the "Placing Agreement") with China Industrial Securities International Capital Limited as the exclusive arranger and one of the joint placing agents, and Essence International Securities (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CCB International Capital Limited as the joint placing agents, for the purpose of procuring subscribers, on a best efforts basis, to subscribe for, and the Company has conditionally agreed to issue, the Convertible Notes B in the aggregate principal amount of up to HK$300,000,000 (the "Placing").

As additional time is required for the fulfillment of the conditions precedent to the Capital Increase Agreement and the Subscription Agreement, relating to the obtaining of all permissions and approvals in respect of the Capital Increase from the Guangxi Department of Commerce, (i) the Company, Guangxi Automobile and Wuling Industrial further entered into supplemental agreements to the Capital Increase Agreement on 31 December 2016 and 28 February 2017 to extend the long stop date for satisfaction of the conditions precedent to the Capital Increase Agreement to 30 June 2017; and (ii) the Company and Wuling HK further entered into supplemental agreements to the Subscription Agreement on 31 December 2016 and 28 February 2017 to extend the long stop date for satisfaction of the conditions precedent to the Subscription Agreement to 30 June 2017.

In addition, as one of the conditions of the Placing Agreement, i.e. the Subscription Agreement becoming unconditional, was not fulfilled on or before 15 January 2017, the Placing Agreement was therefore terminated.

Details of the above transactions were disclosed in the respective Company's announcements dated 13 October 2016, 31 December 2016, 16 January 2017 and 28 February 2017 and the Company's circular dated 28 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — By Key Business Segments

The business performance and evaluation of the Group's three main business segments namely (1) engines and related parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the year 2016 are detailed below:

Engines and Related Parts

Revenue (based on external sales) of the engines and related parts division for the year ended 31 December 2016 was RMB3,869,040,000, representing a steady increase of 6.9% as compared to previous year. Operating profits for the year was RMB160,992,000, representing a decrease of 5.3% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year 2016 was approximately 410,000 units, representing a decline as compared to previous year. Despite a continuous shift in the product mix towards higher end models resulted in lower sale volume, the level of revenue and operating profits were maintained stable for the year. During this year, sales to SAIC-GM-Wuling Automobile Co., Limited ("SGMW"), our core customer, were increased by 18.3% to approximately RMB3,188,445,000, and continued to account for the majority portion of the division's revenue. The sales to SGMW were mainly attributable from the sales of NP18, the Group's first self-propriety engine for passenger vehicles, which was mainly installed in Baojun 730 and 560 model of SGMW. NP18 which was launched in 2015 and had a higher selling price as compared to the traditional models produced for commercial mini-vehicles had since contributed to a significant portion of revenue of the division.

Meanwhile, as a long standing industry leader in the manufacturing of engines for the commercial mini-vehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Sales, primarily engine sets, to other customers amounted to approximately RMB680,595,000 for the year 2016, representing approximately 17.6% of the total revenue of this division.

Operating margin maintained at 4.2% for the year. During this year, increasing sales from the abovementioned NP18 model with higher selling price and the continuous improvement of the operations of the foundry facilities, which primarily supplied cylinder blocks and cylinder heads to the engine's manufacturing plant of SGMW, continued to contribute to the margin performance of the division.

The production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, in which approximately 280,000 units are for the NP18 model, 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 had actively undertaken development projects, either in house or in cooperation 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 had successfully launched NP18, its first engine product for the passenger vehicles, in which mass production orders from the main customer had gradually taken off in 2015. This product marked a significant breakthrough of Wuling Liuji from which, in term of revenue, the contribution from the passenger vehicles products in 2016 accounted for approximately 80% of the total revenue of this division. Wuling Liuji will continue to upgrade and modify NP18 to serve the specific needs of its customers and to further the business potential this successful 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, Liuzhou Lingte had commenced the construction of the infrastructure and the main assembly line in 2016 which is expected to be completed and started operational in early 2017. 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 increasing applications of the successfully launched higher end models to the passenger vehicles of SGMW and other new customers and the introduction of other 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 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.

Automotive Components and Other Industrial Services

Revenue (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2016 was RMB10,542,987,000, representing an increase of 37.1% 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 RMB326,320,000, representing an impressive increase of 74.2% 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. During the year, 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, attributable to the strong demands for the key products of SGMW in the market. 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 essentially contributed to the impressive business performance and provided promising business potential to this division.

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.

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. In term of revenue contribution, the division has since successfully achieved a higher revenue share from the passenger vehicles segment as compared to the commercial mini-vehicles segment.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group had been actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, following the completion of the self-owned primary production base in Hexi Industrial Park, Liuzhou, with a site area of over 400,000 sqm., which was primarily for the mini-vehicles' components businesses in 2014, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the sedans and MPVs, the division established another production facility in the eastern district of Liuzhou ("Liudong Facilities"), which was mainly targeted at the types of sedan and MPV passenger vehicles' components businesses. The first and second phase of the Liudong Facilities, which was strategically located in adjacent to the passenger vehicles production base of SGMW, had become fully operational in July 2016.

Foreseeing a significant growth of passenger vehicles' components businesses and considering that the Liudong Facilities would gradually be fully utilized, the Group recently decided to expand its Liudong Facilities by undertaking the third phase development through the acquisition of a new industrial site with a site area of approximately 140,500 sqm. located adjacent to the Liudong Facilities at a consideration of RMB48,000,000. Acquisition of the industrial was concluded in late 2016, whereas construction work of foundation and infrastructure was commenced shortly after to ensure adequate production capacity could be available to serve the increasing needs from customers on a timely basis.

Apart from the production facilities in the Liuzhou region, the Group had also recently formulated development plans for the other two main production facilities in China, i.e. the production facilities located in Qingdao and Chongqing. As for the production facilities in Qingdao, due to the launches of the new passenger vehicles by SGMW manufactured in their production base in Shandong, the production facilities located in Qingdao would be required to undertake certain technology advance and capacity expansion projects. Such projects, which would involve the establishment of several large scale plastic injection production lines, as well as other automatic welding and assembly lines and the installation of industrial robots, is now progressing and is expected to be gradually start operational from the second half of 2017. With respect to the production facilities in Chongqing which had commenced operation for about a year in supplying automotive components to SGMW, the Group is currently reviewing the second phase development in line with the expansion plan of SGMW and would initiate appropriate plans for further expansion of this production facility in due course.

Over the past few years, the Group had taken strategic steps in China to transform from a single production point operation in Liuzhou into an inter-provincial production group with facilities in Guangxi, Shandong and Chongqing, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future. These strategic steps, accompanied with the satisfactory growth in the business volume of the SGMW and other customers over the past few years, have benefited the business performance of the Group. Apart from the improvement in business performance, these strategic steps over the past few years have also strengthened the commercial collaboration between the Group and SGMW in pursuing current businesses as well as other future business opportunities. As SGMW has been actively promoting its overseas business activities by establishing its production plant in Indonesia, the Group has kept pace with such development of SGMW and decided to develop its overseas businesses concurrently by establishing our first overseas production base located in Indonesia, which is expected to commence operation in the second half of 2017.

Construction and installation of the production lines and facilities in the Indonesia had been started in the second half of 2016 and would take about one year to complete. Based on the current plan, the production lines and facilities planned to be installed and constructed will comprise a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles, with a planned production volume of 100,000 sets/units per annum. Being the fourth largest population country in the world and in consideration of its recent economic development, the Group is of the view that there is great business potential for the automobile industry in Indonesia and consider that the geographical expansion of the Group's automotive components businesses in Indonesia is an appropriate expansion strategy for the Group.

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

Specialized Vehicles

Revenue (based on external sales) of the specialized vehicles division for the year ended 31 December 2016 was RMB2,265,526,000, representing a moderate increase of 5.8% as compared to previous year. Operating profits for the year was RMB33,290,000, representing an increase of 75.4%.

During this year, the Group sold approximately 50,000 specialized vehicles, representing an increase of 16.3% as compared to previous year. Continuous launches of new models benefited the business performance of the division from which each of the key products of the division, including redecorated vans, non-road vehicles, mini-buses and school buses had experienced different extent of growth despite the highly competitive business environment.

Operating margin maintained at 1.5% 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 mini-school buses, sight-seeing cars and electrical vehicles.

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. Being the primary focus of development of the division, electrical vehicle product has recently reached a stage of breakthrough. Certain products, including an electrical logistic vehicle have obtained notifications of government approval in 2016. The Group planned to adopt the technical knowhow as developed from these electrical vehicles products as the platform to explore and develop a series of electrical specialized vehicles suitable for particular business segments. Meanwhile, the Group had also unremittingly developed new models of passenger mini-buses with improved quality and added features in response to market demands and enhanced regulatory standards, some of which were planned to be launched in 2017. The Group expects the business development of these new models will benefit the profitability performance of the division.

Currently, production facilities of the specialized vehicles division of the Group are situated in Liuzhou and Qingdao with respective annual capacities of approximately 60,000 vehicles and 30,000 vehicles. Taking the advantages of having an existing operation in Chongqing, the Group has recently decided to establish a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 15,000 vehicles, which will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of 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 revenue for the year ended 31 December 2016 was RMB16,677,695,000, representing an increase of 24.0% as compared to previous year. Impressive growth of businesses in the passenger vehicles' businesses from the new products of the 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 an impressive growth of the Group in the automobile industry during the year.

Gross profit for the year was RMB1,879,505,000, representing an increase of 23.6% 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 RMB280,273,000, representing an increase of approximately 64.8% as compared to previous year. Profits attributable to the owners of the Company was RMB140,462,000, representing an increase of 70.9%. In February 2016, the Company completed the capital injection of an additional sum of RMB160,000,000 in cash to Wuling Industrial. Accordingly, the Company's equity interest in Wuling Industrial had been increased from approximately 50.98% to approximately 54.86%. The increase in the equity interests in Wuling Industrial also led to an increase in profits attributable to the owners of the Company.

Other income comprised primarily bank interest income, sales of scrap materials and parts, government subsidies and other services income was in aggregate RMB102,449,000 for the year ended 31 December 2016, representing an increase of 49.7% as compared to previous year primarily as a result of an increase in the sales of scrap materials and parts and bank interest income during the year.

Other gains and losses amounted to RMB32,031,000 in total for the year ended 31 December 2016, which comprised mainly gain on disposal of certain property, plant and equipment and the losses on impairment of trade receivables and the available-for-sale investment during the year.

Share of results of joint ventures registered a total losses of RMB11,039,000 for the year ended 31 December 2016 attributable mainly to the net operating losses of Guangxi Weixiang and 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 RMB317,635,000 for the year ended 31 December 2016, representing an increase of 6.0% as compared to the previous year. Gradual commencement of operations of the new facilities with close proximity to customers' facilities helped to certain the selling and distribution costs.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses (other than research and development expenses) were in aggregate RMB802,397,000 for the year ended 31 December 2016, representing an increase of 21.0% as compared to previous year which was in line with the increase in business volume of the Group.

Research and development expenses for the year ended 31 December 2016 amounted to RMB329,433,000, representing an increase of 22.7% 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 2016 amounted to RMB89,536,000, representing an increase of 23.5% as compared to previous year, which was in line with the increasing scale of operation during the year. The balances had also included the finance cost of RMB26,062,000 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 bills discounting activities at the most favourable terms offered in the market.

Basic earnings per share for the year ended 31 December 2016 was RMB7.67 cents, representing an increase of 55.9% as compared to previous year, whereas, earnings per share on diluted basis was RMB7.63 cents, representing an increase of 58.0%.

Consolidated Statement of Financial Position

As at 31 December 2016, total assets and total liabilities of the Group stood at RMB12,382,921,000 and RMB10,247,750,000 respectively.

Non-current assets amounted to RMB3,147,870,000 comprised mainly property, plant and equipment, prepaid lease payments and deposits paid for acquisition of property, plant and equipment and interests in joint ventures, etc.

Current assets amounted to RMB9,235,051,000 comprised mainly inventories of RMB1,468,151,000, trade and other receivables and bill receivables of RMB5,898,441,000 (inclusive of bill receivables discounted with recourse but not yet matured amounting to RMB1,185,360,000), pledged bank deposits of RMB302,630,000 and bank balances and cash of RMB1,559,741,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,269,474,000 was recorded as trade and other receivables in the statement of financial position. These receivables balances were subject to normal commercial settlement terms.

Current liabilities amounted to RMB10,207,626,000, comprised mainly trade and other payables of RMB8,657,663,000, provision for warranty of RMB162,952,000, tax payable of RMB153,553,000 and bank and other borrowings — due within one year of RMB1,233,458,000, which included advances drawn on bill receivables discounted with recourse of RMB1,177,555,000. The corresponding bill receivables discounted with recourse to these advances amounting to RMB1,185,360,000 were recorded as trade and other receivables which would be offset against upon maturity.

The Group recorded net current liabilities of RMB972,575,000 as at 31 December 2016, which had been moderately increased as compared to the net current liabilities of RMB835,503,000 as at 31 December 2015.

Non-current liabilities amounted to RMB40,124,000 comprised mainly, deferred income of RMB16,805,000 and deferred tax liabilities of RMB23,319,000.

Liquidity and Capital Structure

During the year ended 31 December 2016, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the bill 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 bill receivables discounted with recourse as at 31 December 2016 were RMB1,177,555,000 which was increased as compared to the corresponding balances as at 31 December 2015. The corresponding bill receivables discounted with recourse to these advances amounting to RMB1,185,360,000 were recorded as trade and other receivables which would be offset against upon maturity.

Besides, to contain finance costs of the Group, Guangxi Automobile provided sources of finance to the Group through bill discounting activities at the most favourable terms offered the market. Such financing arrangements remained at a relatively stable level during the year.

As at 31 December 2016, total bank balances and cash maintained by the Group amounted to RMB1,559,741,000. Besides, pledged bank deposits amounting to RMB302,630,000 were also maintained to secure the banking facilities offered to the Group.

The Group's bank borrowings other than advances drawn on bill receivables discounted with recourse amounted to RMB55,903,000 as at 31 December 2016.

The Group's bank borrowings other than advances drawn on bill receivables discounted with recourse were maintained at a relatively low level since last year, which was consistent with the financing strategy of the Group by using bill receivables discounted as the main source of finance. 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 at an appropriate financing strategy for the Group.

During the year, total number of 14,230,270 ordinary shares of the Company were issued upon the exercise of 14,230,270 share options with proceeds of HKD6,774,000 (equivalent to RMB5,697,000). Accordingly, issued capital increased from RMB6,600,000 as at 31 December 2015 to RMB6,648,000 as at 31 December 2016.

Total equity attributable to the shareholders of the Company, comprised primarily the share premium, PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB1,176,145,000 as at 31 December 2016. Net asset value per share was approximately RMB64.1 cents as at 31 December 2016.

DIVIDEND

The Directors recommended the payment of a final dividend of HKD1.25 cents per ordinary share of the Company (the "Share(s)") for the year ended 31 December 2016 (the "Final Dividend") (2015: HKD0.75 cent) to the shareholders of the Company (the "Shareholder(s)"), whose names shall be on the register of members of the Company on 12 June 2017, amounting to approximately HKD22,948,000 (equivalent to approximately RMB20,544,000), subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Wednesday, 31 May 2017 (the "2017 AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 26 May 2017 to Wednesday, 31 May 2017 (both dates inclusive), for the purpose of determining the Shareholders' eligibility to attend and vote at the 2017 AGM and during which period no transfer of the Shares will be effected. In order to qualify for attendance of the 2017 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 Thursday, 25 May 2017. The time and venue of the 2017 AGM will be advised in due course.

The register of members of the Company will be closed from Thursday, 8 June 2017 to Monday, 12 June 2017 (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 Wednesday, 7 June 2017.

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 2016 (2015: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. During the year ended 31 December 2016, the Company confirmed that it has fully applied and complied with all the code provisions and certain recommended best practices as set out in Code on Corporate Governance ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), comprising the three independent non-executive directors of the Company, namely Mr. Ye Xiang (the Chairman), Mr. Zuo Duofu and Mr. Wang Yuben, has been established in accordance with the requirements of the Listing Rules, for the purpose of reviewing and providing, inter alia, supervision over the Group's financial reporting system, risk management and internal control system. The terms of reference of the Audit Committee are disclosed on the websites of the Company and Hong Kong Exchange and Clearing Limited respectively.

The Audit Committee reviewed the accounting principles and practices adopted by the Company for the year ended 31 December 2016 before such documents were tabled for the Board's review and approval, discussed matters relating to audit, internal control system and financial reporting processes and reviewed the audited financial statements and this preliminary announcement for the year ended 31 December 2016 of the Group. The Audit Committee is of the opinion that such documents complied with all the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosures have been made, if required.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 containing all information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the Company at www.wuling.com.hk in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Yuan Zhijun (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Zhong Xianhua, Ms. Liu Yaling and Mr. Yang Jianyong as executive Directors and Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben as independent non-executive Directors.

On behalf of the Board
Yuan Zhijun
Chairman

Hong Kong, 28 March 2017