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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 UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

PRELIMINARY ANNOUNCEMENT OF UNAUDITED RESULTS

The board of directors (the "**Board**") of Wuling Motors Holdings Limited (the "**Company**") wish to inform that the outbreak of the coronavirus (COVID-19) took place in the PRC since January 2020 and the imposition of traffic control and mandatory quarantine requirements by the central and local government had severely affected the audit processes of the Company's external auditor, Deloitte Touche Tohmatsu in performing the annual audit of the Group for the year ended 31 December 2019. As such, as at the date of this announcement, the audit of the consolidated financial statements of the Company has not yet been fully completed.

In order to keep the shareholders of the Company (the "**Shareholders**") and potential investors informed of the business performance and the financial position of the Group, the Board has decided to announce the unaudited results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with the comparative audited figures for the previous year at this stage. The Company will issue further announcement(s) in relation to the audited results of the Group for the year ended 31 December 2019 as agreed by Deloitte Touche Tohmatsu and to report the details of the material differences (if any) as compared to the unaudited results contained in this preliminary announcement upon completion of the annual audit.

The financial information contained in this preliminary announcement in respect of the unaudited results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the Company's external auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue	*4*		
Goods and services		**14,223,941**	15,119,965
Rental		**13,364**	154
Total revenue		**14,237,305**	15,120,119
Cost of sales and services		**(13,065,145)**	(13,837,294)
Gross profit		**1,172,160**	1,282,825
Other income	*5(a)*	**199,982**	162,115
Other gains and losses	*5(b)*	**(36,030)**	48,490
(Impairment losses on financial assets, net of reversal) reversal of impairment losses on financial assets, net of impairment losses		**(26,773)**	3,236
Selling and distribution costs		**(184,370)**	(244,103)
General and administrative expenses		**(772,157)**	(872,377)
Research and development expenses		**(195,034)**	(140,599)
Share of results of associates		**(16,717)**	15,902
Share of results of joint ventures		**(9,928)**	(1,650)
Finance costs		**(145,267)**	(133,105)
(Loss) profit before taxation		**(14,134)**	120,734
Income tax credit	*6*	**15,279**	4,461
Profit for the year	*7*	**1,145**	125,195
Other comprehensive (expenses) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**–**	(6,952)
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties, net of tax		**12,574**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of foreign operations		**(2,683)**	2,920
Fair value loss on bills receivables at fair value through other comprehensive income		**(7,915)**	(13,513)
Other comprehensive income (expense) for the year		**1,976**	(17,545)
Total comprehensive income for the year		**3,121**	107,650

	NOTES	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
(Loss) profit for the year attributable to:			
Owners of the Company		**(21,232)**	70,673
Non-controlling interests		**22,377**	54,522
		1,145	125,195
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(21,077)**	58,411
Non-controlling interests		**24,198**	49,239
		3,121	107,650
(Loss) earnings per share	*9*		
Basic		**RMB(1.04) cents**	RMB3.45 cents
Diluted		**RMB(1.04) cents**	RMB2.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,609,014**	3,590,089
Right-of-use assets		**375,549**	–
Prepaid lease payments		**–**	332,652
Premium on prepaid lease payments		**–**	798
Investment properties		**287,575**	10,277
Interests in associates		**280,722**	237,439
Interests in joint ventures		**160,316**	126,026
Deposits paid for acquisition of property, plant and equipment		**640**	248,798
Equity instrument at fair value through other comprehensive income		**2,048**	2,048
		4,715,864	4,548,127
CURRENT ASSETS			
Inventories		**1,668,735**	943,230
Trade and other receivables	*10*	**4,035,821**	3,567,957
Bills receivables at fair value through other comprehensive income		**4,011,138**	2,070,542
Prepaid lease payments		**–**	7,840
Financial assets at fair value through profit or loss		**21,195**	–
Pledged bank deposits		**678,374**	1,014,768
Bank balances and cash		**838,056**	974,697
		11,253,319	8,579,034
CURRENT LIABILITIES			
Trade and other payables	*11*	**7,514,558**	8,082,910
Contract liabilities		**466,341**	222,082
Lease liabilities		**56,634**	–
Provision for warranty		**77,530**	119,290
Tax payable		**56,662**	52,701
Bank and other borrowings		**955,527**	491,779
Advances drawn on bills receivables discounted with recourse		**3,250,263**	1,142,306
Derivative financial instrument		**–**	1,224
Convertible loan notes		**214,050**	8,784
Financial liability at fair value through profit or loss		**2,384**	1,475
		12,593,949	10,122,551
NET CURRENT LIABILITIES		**(1,340,630)**	(1,543,517)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,375,234**	3,004,610

	NOTES	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		**67,758**	13,872
Lease liabilities		**36,109**	–
Amount due to an associate		**50,000**	50,000
Bank and other borrowings		**720,000**	268,000
Convertible loan notes		**–**	170,721
Deferred tax liabilities		**28,284**	23,168
		902,151	525,761
		2,473,083	2,478,849
CAPITAL AND RESERVES			
Share capital	*12*	**7,366**	7,366
Reserves		**1,406,032**	1,436,273
Equity attributable to owners of the Company		**1,413,398**	1,443,639
Non-controlling interests		**1,059,685**	1,035,210
		2,473,083	2,478,849

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company												
	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Contributed surplus *RMB'000* *(note i)*	The PRC general reserve *RMB'000* *(note ii)*	Capital reserve *RMB'000* *(note iii)*	Debt instruments at fair value through other comprehensive income ("FVTOCI") reserve *RMB'000*	Equity instruments at FVTOCI reserve *RMB'000*	Property revaluation reserve *RMB'000*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2018 (audited)	7,366	457,494	5,917	35,763	335,394	18,505	(17,914)	(13,000)	–	577,325	1,406,850	1,031,709	2,438,559
Profit for the year	–	–	–	–	–	–	–	–	–	70,673	70,673	54,522	125,195
Fair value loss on investment in equity instrument at FVTOCI	–	–	–	–	–	–	–	(6,952)	–	–	(6,952)	–	(6,952)
Exchange difference arising from translation of foreign operations	–	–	2,920	–	–	–	–	–	–	–	2,920	–	2,920
Fair value loss on bills receivables at FVTOCI	–	–	–	–	–	–	(8,230)	–	–	–	(8,230)	(5,283)	(13,513)
Total comprehensive income (expense) for the year	–	–	2,920	–	–	–	(8,230)	(6,952)	–	70,673	58,411	49,239	107,650
Dividend paid *(note 8)*	–	–	–	–	–	–	–	–	–	(21,622)	(21,622)	–	(21,622)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(46,238)	(46,238)
Capital injection from a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	500	500
Transfers	–	–	–	–	13,495	–	–	–	–	(13,495)	–	–	–
Subtotal	–	–	–	–	13,495	–	–	–	–	(35,117)	(21,622)	(45,738)	(67,360)
At 1 January 2019 (audited)	7,366	457,494	8,837	35,763	348,889	18,505	(26,144)	(19,952)	–	612,881	1,443,639	1,035,210	2,478,849
(Loss)/profit for the year (unaudited)	–	–	–	–	–	–	–	–	–	(21,232)	(21,232)	22,377	1,145
Fair value loss on investment in equity instrument at FVTOCI	–	–	–	–	–	–	–	–	–	–	–	–	–
Exchange difference arising from translation of foreign operations	–	–	(2,683)	–	–	–	–	–	–	–	(2,683)	–	(2,683)
Fair value loss on bills receivables at FVTOCI	–	–	–	–	–	–	(4,820)	–	–	–	(4,820)	(3,095)	(7,915)
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties, net of tax	–	–	–	–	–	–	–	–	7,658	–	7,658	4,916	12,574
Total comprehensive income (expense) for the year (unaudited)	–	–	(2,683)	–	–	–	(4,820)	–	7,658	(21,232)	(21,077)	24,198	3,121
Dividend paid *(note 8)*	–	–	–	–	–	–	–	–	–	(9,164)	(9,164)	–	(9,164)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(35,630)	(35,630)
Capital injection from a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	35,907	35,907
Transfers	–	–	–	–	12,768	–	–	–	–	(12,768)	–	–	–
Subtotal (unaudited)	–	–	(2,683)	–	12,768	–	(4,820)	–	–	(21,932)	(9,164)	277	(8,887)
At 31 December 2019 (unaudited)	7,366	457,494	6,154	35,763	361,657	18,505	(30,964)	(19,952)	7,658	569,717	1,413,398	1,059,685	2,473,083

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 the 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").

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2019

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 this preliminary unaudited results announcement, 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 RMB1,341 million (2018: approximately RMB1,544 million) as at 31 December 2019. 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 financial resources available to the Group, including the internally generated funds and other financing facilities available.

Accordingly, the directors of the Company believe that it is appropriate to prepare this preliminary unaudited results announcement on a going concern basis without including any adjustments that would be required should the Group fail to continue as a going concern.

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

The accounting policies and methods of computation used in the preparation of the financial information of this preliminary unaudited results announcement are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the changes mentioned below.

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 Cycle

Except as described below, 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 this preliminary unaudited results announcement.

3.1 New accounting policy for the transfer of the owner-occupied property to investment property

The Group has applied the following accounting policy for the transfer of the owner-occupied property to investment property carried at fair value in the current year:

Transfer of property, plant and equipment/right-of-use assets to investment property

If an item of property, plant and equipment/right-of-use asset becomes an investment property because their use have changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in "property revaluation reserve". On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

3.2 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

The Group applied HKFRS 16 from 1 January 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognized at the date of initial application. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

At 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities; whereas the lease liability is initially measured at the present value of the lease payments that are unpaid at that date, and subsequently adjusted for the interest and lease payments, as well as the impact of lease modification, amongst others.

On transition, other than the reclassification of the current and non-current portion of prepaid lease payments of RMB7,840,000 and RMB332,652,000 and premium on prepaid lease payments of RMB798,000, the Group recognized lease liabilities of RMB5,072,000 and right-of-use assets of RMB346,362,000 at 1 January 2019.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Types of goods and services			
Sales of engines	*(a)*	**1,863,630**	1,176,464
Sales of engines related parts	*(a)*	**769,027**	397,091
Sales of automotive components and accessories	*(b)*	**6,274,100**	8,714,748
Sales of specialized vehicles	*(c)*	**4,474,073**	4,197,622
Trading of raw materials	*(b)*	**661,710**	490,112
Provision of water and power supply	*(b)*	**181,401**	143,928
Revenue from contracts with customers		**14,223,941**	15,119,965
Revenue from gross rental income		**13,364**	154
		14,237,305	15,120,119
Timing of revenue recognition			
A point of time		**14,041,436**	14,976,037
Over time		**195,869**	144,082
Total		**14,237,305**	15,120,119
Geographical markets			
The PRC (excluding Hong Kong)		**14,163,976**	15,076,126
Others		**73,162**	43,839
Hong Kong		**167**	154
Total		**14,237,305**	15,120,119

Notes:

(a) These revenue has been classified as revenue under engines and related parts segment in the segment information.

(b) These revenue has been classified as revenue under automotive components and other industrial services segment in the segment information.

(c) These revenue has been classified as revenue under specialized vehicles segment in the segment information.

Information reported to the executive 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 "Operating Segments" 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 steels, and provision of water and power supply services
• Specialized vehicles	—	Manufacture and sale of specialized vehicles
• Others	—	Property investment and others

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

For the year ended 31 December 2019 (unaudited)

	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	**2,632,657**	**7,117,211**	**4,474,073**	**13,364**	**–**	**14,237,305**
Inter-segment sales	**15,398**	**33,636**	**47**	**–**	**(49,081)**	**–**
Total	**2,648,055**	**7,150,847**	**4,474,120**	**13,364**	**(49,081)**	**14,237,305**
Segment profit (loss)	**(44,282)**	**123,704**	**81,123**	**1,118**		**161,663**
Bank interest income						**37,404**
Change in fair value of derivative financial instrument						**1,227**
Foreign exchange losses						**(27,344)**
Change in fair value of financial assets at fair value through profit or loss "FVTPL"						**22,670**
Change in fair value of financial liability at FVTPL						**(2,384)**
Central administrative costs						**(35,458)**
Share of results of associates						**(16,717)**
Share of results of joint ventures						**(9,928)**
Finance costs						**(145,267)**
Loss before taxation						**(14,134)**

For the year ended 31 December 2018 (audited)

	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	1,573,555	9,348,788	4,197,622	154	–	15,120,119
Inter-segment sales	56,864	16,135	–	–	(72,999)	–
Total	1,630,419	9,364,923	4,197,622	154	(72,999)	15,120,119
Segment profit (loss)	12,926	142,902	40,391	(367)		195,852
Bank interest income						50,506
Change in fair value of derivative financial instrument						50,193
Change in fair value of financial liability at FVTPL						3,860
Reversal of impairment loss on interest in a joint venture						8,000
Central administrative costs						(59,881)
Share of results of associates						15,902
Share of results of joint ventures						(1,650)
Impairment on goodwill						(8,943)
Finance costs						(133,105)
Profit before taxation						120,734

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, change in fair value of derivative financial instrument, foreign exchange losses, change in fair value of financial assets at FVTPL, change in fair value of financial liability at FVTPL, bank interest income, reversal of impairment loss on interest in a joint venture, impairment on goodwill, share of results of associates, 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.

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Details of other income are as follows:

	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Sales of scrap materials and parts	**70,473**	45,355
Bank interest income	**37,404**	50,506
Service income on repairs and maintenance	**6,840**	5,607
Machinery and other property rental income	**28,032**	23,808
Income on use of technology knowhow	**1,467**	1,467
Government grants	**45,871**	28,509
Others	**9,895**	6,863
	199,982	162,115

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

	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Fair value change of investment properties	**4,921**	668
Fair value change of financial assets at FVTPL	**22,670**	–
Fair value change of financial liability at FVTPL	**(2,384)**	3,860
Fair value change of derivative financial instrument	**1,227**	50,193
Foreign exchange (loss) gain, net	**(27,344)**	(18,108)
(Loss) gain on disposal of property, plant and equipment	**(12,484)**	12,820
Impairment loss on property, plant and equipment	**(22,636)**	–
Reversal of impairment loss on interest in a joint venture	**–**	8,000
Impairment loss on goodwill	**–**	(8,943)
	(36,030)	48,490

6. INCOME TAX CREDIT

	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Tax (credit) charge represents:		
PRC Enterprise Income Tax		
Current	**8,036**	23,689
Withholding tax on dividend distribution	**2,018**	3,828
(Over) underprovision in prior years	**(30,449)**	(29,088)
	(20,395)	(1,571)
Deferred tax		
Current year	**5,116**	(2,890)
	(15,279)	(4,461)

7. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**2,470**	2,353
Other staff costs:		
Salaries, bonus and other benefits	**915,174**	744,797
Contributions to retirement benefit scheme contributions, excluding directors	**65,682**	52,891
Total staff costs	**983,326**	800,041
Less: staff costs (capitalized in inventories)	**(521,260)**	(436,591)
Total staff costs (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**462,066**	363,450
Gross property rental income from investment properties, net of negligible outgoings	**(13,364)**	(154)
Auditor's remuneration	**2,599**	1,777
Depreciation of property, plant and equipment	**296,825**	316,757
Depreciation of right-of-use assets	**65,129**	–
Total depreciation of property, plant and equipment, right-of-use assets	**361,954**	316,757
Less: Amounts capitalized in inventories	**(212,551)**	(140,221)
Total depreciation of property, plant and equipment, right-of-use assets (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**149,403**	176,536
Release of prepaid lease payments (included in general and administrative expenses)	**–**	7,870
Release of premium on prepaid lease payments (included in general and administrative expenses)	**–**	25
Transportation costs (included in selling and distribution costs)	**75,051**	116,620

8. DIVIDEND

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Dividends recognized as distribution during the year:		
2018 Final dividend of HKD0.5 cent (2018: 2017 final dividend of HKD1.25 cents) per share	**9,164**	21,622

9. (LOSS) 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
(Loss) earnings		
(Loss) earnings for the purpose of basic earnings per share ((loss) profit for the year attributable to owners of the Company)	**(21,232)**	70,673
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes		35,407
Change in fair value of on derivative financial instrument		(50,193)
Exchange loss on convertible loan notes and derivative financial instrument		9,800
Earnings for the purpose of diluted earnings per share		65,687
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,050,108**	2,050,108
Effect of dilutive potential ordinary shares:		
— Convertible loan notes		357,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share		2,407,251

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would results in a decrease in loss per share.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and other receivables represent:		
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	**2,253,891**	1,617,496
— Guangxi Automobile Group	**47,914**	77,300
— Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang")	**547**	11
— Liuzhou AAM Automotive Driveline System Co., Limited	**574**	–
— Faurecia (Liuzhou) Automotive Seating Co., Limited ("FL Seating")	**2,556**	146
— Faurecia (Liuzhou) Automotive Interior System Co., Limited ("FL Interior")	**13,609**	63,984
— Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("FL Emissions")	**33,562**	–
— Third parties	**975,625**	1,352,963
	3,328,278	3,111,900
Less: Allowance for credit losses	**(64,427)**	(57,924)
	3,263,851	3,053,976
Other receivables	**771,970**	513,981
Total trade and other receivables	**4,035,821**	3,567,957

11. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills payables:		
— SGMW	**841,627**	1,028,911
— Guangxi Automobile Group	**46,076**	54,952
— FL Seating	**118,878**	28,521
— FL Interior	**42,864**	160,536
— FL Emissions	**14,141**	–
— Other related companies	**29**	–
— Third parties	**5,646,426**	5,584,266
	6,710,041	6,857,186
Other payables	**804,517**	1,225,724
Total trade and other payables	**7,514,558**	8,082,910

12. 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 2018, 31 December 2018 and 31 December 2019		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2018, 31 December 2018 and 31 December 2019	2,050,107,555	8,200

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Shown in the consolidated financial statements at the end of the reporting period as	**7,366**	7,366

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) On 2 January 2020, the Company announced that (i) the Company proposed to raise a total of approximately HKD205.01 million, before expenses, by way of the issue of new shares of the Company on the basis of one (1) rights share for every two (2) shares held on 21 February 2020 (as determined by the respective underwriting agreement and supplemental underwriting agreement dated 2 January 2020 and 29 January 2020 respectively) at the subscription price of HKD0.20 per rights share (the "Rights Issue"); (ii) Wuling (Hong Kong) Holdings Limited and Dragon Hill Development Limited, both being substantial shareholders of the Company, had irrevocably and unconditionally undertaken to, among other things, apply for and pay for the certain number of rights shares of the Company as provisionally allotted to them; and (iii) the rights shares not taken up by the shareholders of the Company will be fully underwritten by the underwriter, Zhongtai International Securities Limited and/or other sub-underwriters to the Rights Issue. The net proceeds of the Rights Issue which amounted to approximately HKD200.01 million will be fully used as a partial repayment of all of the outstanding amount of the convertible loan notes of the Company in the amount of approximately HKD260.00 million (including both outstanding principal and related interests) upon its maturity on 23 May 2020.

The Rights Issue was subsequently become unconditional on 10 March 2020 and was completed on 16 March 2020. Further details of the Rights Issue are available in the Company's announcements dated 2 January, 2020, 29 January 2020 and 16 March 2020 and the Company's prospectus dated 24 February 2020.

(ii) The revenue of the Group and its associates, which are primarily derived from the operations in the PRC, have been adversely affected by the outbreak of the coronavirus (COVID-19) took place in the PRC since January 2020. In this regard, the main production facilities of the Group in the PRC, which located in Liuzhou, Qingdao and Chongqing, were all experiencing certain extent of delays and disruption in operations. Because of such adverse impact, the operating results of the Group in the first quarter of 2020 had been materially affected. Facing with these unprecedented adverse factors, the Group has carried out necessary steps for the purpose of lessening the negative impacts associated with the COVID-19 epidemic on its operation and business, such as, the implementation of additional health and safety policies and procedures to facilitate the resumption of the Group's production in the PRC after the extended Chinese New Year holidays in order to provide an appropriate working environment for its staff and workers, which in turn would help to ensure a smooth operation of the Group as far as possible. From March 2020 onwards, all of the main production facilities in the PRC as abovementioned had resumed operations and the management of the Group will continue to closely monitor the situation and take appropriate actions in co-operation with the customers and suppliers, in order to resume the operations of the Group to the normal level as soon as practicable.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but will be reflected in the Group's future financial statements and beyond.

* *for identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — By Key Business Segments

The business performance and analyses 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 ended 31 December 2019 were detailed below:

Engines and Related Parts

Total revenue (based on external sales) of the engines and related parts division for the year ended 31 December 2019 was RMB2,632,657,000, representing a substantial increase of 67.3% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year was approximately 190,000 units, representing a substantial increase of approximately 46.2% as compared to previous year due to an increase in the sale of National VI standard engines starting from the second half of 2019.

During the year, sales to SAIC-GM-Wuling Automobile Co., Limited ("SGMW"), our core customer, amounted to approximately RMB1,065,246,000, representing an increase of 20.5% as compared to previous year. The increase was mainly attributable to an increase in the sale volume of the NP18 model to SGMW for their Capacity 1.8L vehicle models, which amounted to approximately 73,000 units as compared to 42,000 units achieved in 2018. However, due to the highly competitive business environment which led to a reduction in the unit selling price of the NP18 model, the margin performance of the division was not benefited in a proportional basis. Apart from the NP18 model, sales of 3C products (i.e. cylinder block, cylinder head and crankshaft components) to SGMW continued to achieve a steady growth during the year.

Despite a recovery of the business volume in the division, an operating loss of RMB44,282,000 was recorded during the year due to the abovementioned pricing pressure from the main customer and the additional costs incurred in the launches of new products. This negative impact on the margin performance was further aggravated by the impairments and provisions made against certain slow moving and obsolete inventories and long overdue account receivable balances of the division.

As a long standing industry leader in the manufacturing of engines for the various types of mini-vehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Despite the sluggish business environment, benefited from the regulatory upgrade requirement of the national standard of motor vehicles in China (i.e., the upgrading from National V to National VI standard) in the second half of 2019, sales to other customers, primarily National VI standard engine sets with capacity range from 1.0L to 1.6L, experienced an impressive of growth and increased to approximately RMB1,314,784,000 for the year, which accounted for approximately 50% of the total revenue of this division.

The production capacity of Wuling Liuji for the assembly lines at present could reach 800,000 units a year which covers quite an extensive list of products ranging from the lowest capacity 0.6L model to the highest capacity of 3.7L model, in which the models within the 1.0L to 2.0L range are the products where Wuling Liuji is having the competitive edge in the industry. Considering the dynamic business environment and the strengthening of the competitiveness in the market, over the past few years, in implementing the production capacity expansion programmes, special emphasis has been placed by the Group on the scalability of the production facilities such that the production and economic efficiency could be maintained in serving the market demands from different types of customers notwithstanding their different range of models and size of orders.

To further expand the product range and to achieve higher technical capability, Wuling Liuji has also actively undertaken development projects for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles segment. During the year, upgrading projects of the main models of Wuling Liuji have been completed in compliance with regulatory upgrade of the national standard of motor vehicles in China (i.e., the upgrading from National V to National VI standard) which has contributed to the business performance of the division in the second half of 2019.

Besides, Wuling Liuji has also undertaken projects for the continuous enhancement of the NP18 model and for the development of a new model namely, NPT20 (Capacity 2.0L) in serving the specific needs of the customers of the passenger vehicles segment. The Group considers that completion of the new highly-automated production facilities designated for the NPT20 model would further strengthen the market position of Wuling Liuji by having a comprehensive range of products ranging from 1.0L to 2.0L with the essential vertical integration elements, i.e., the in-house manufacturing of the foundry components. Following the market launches of the related passenger vehicles of the customer, small volume production of the NPT20 model was started in the fourth quarter of 2019.

At the same time, to kick start the business development in the segment of new energy vehicles, Wuling Liuji formed a joint venture with an independent third party recently to pursue the business activities in the development and production of electric motor control system and related components for new energy vehicles. At the back of the competitive strength and knowhow of the cooperative partner in their respective automobile and electric motor control system industry, the division enjoyed a speedy development in this great potential business segment, where the first model of the Group's electric motor control system products has been developed and has completed the required testing processes prepared for the launch of these new products to the market in the coming years. In this respect, the division has already implemented the construction of a new production line for the mass production of the Group's electric motor control system products and related components for new energy vehicles which is expected to be completed in the first half of 2020.

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, including the products applicable for the new energy vehicles, 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.

Automotive Components and Other Industrial Services

Total revenue (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2019 was RMB7,117,211,000, representing a decrease of 23.9% as compared to previous year. Operating profits for the year was RMB123,704,000, representing a moderate decrease of 13.4% as compared to previous year.

Apart from the negative effect from a general slowdown of the automobile industry in China during the year, decrease in revenue of this division was to certain extent due to the shift of the car seat products, the automotive interior parts and accessories and the emission system components businesses to the joint venture companies formed between Wuling Industrial and the renowned Faurecia Group, namely Faurecia (Liuzhou) Automotive Seating Co., Limited ("FL Seating"), Faurecia (Liuzhou) Automotive Interior System Co., Limited ("FL Interior") and Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("FL Emissions") which performance in terms of business volume and profitability would be further explained under the section "Performance of Joint Ventures" below.

The automotive components and other industrial services division, undertaken by our subsidiary, Wuling Industrial, continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the year, business volume of SGMW experienced a significant decline resulting from the persistent unfavourable market environment of the automotive industry in China since the second half of 2018. As such, total sales to SGMW through our Group or our associated companies, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, were all experienced a substantial extent of reduction.

Operating margin slightly improved to 1.7% as compared to previous year. Decrease in revenue (partly due to the shift of certain businesses to the joint venture companies as abovementioned) and the low gross profit margins due to the prevailing higher raw material prices and the operating losses incurred in the new production plants in Guiyang and Indonesia continued to affect the profitability performance of the division. In view of the continuous loss making situation in Indonesia, an impairment loss of RMB22,636,000 was made against the plant and equipment during the year. The adverse impact on gross profit margin was however alleviated by a decrease in the general and administrative expenses of the Group due to certain tightening cost control and strategic measures.

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.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group had actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, the production facility located in Hexi Industrial Park, Liuzhou which was originally designed for the mini-vehicles' components businesses, had been subject to various upgrading and revamping exercises, which involved the installation of industrial robotic workstations and other automatic machinery, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the SUVs and MPVs. In addition, part of the facilities were currently leased to the newly formed joint venture companies as mentioned below.

Apart from the production facilities in the Liuzhou region, Wuling Industrial had also 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 has also undertaken certain technology advance and capacity expansion projects. Such projects, which involved the construction of a new factory premises, 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, were progressing satisfactorily, in which part of the facilities had gradually started operational. With respect to the production facilities in Chongqing which first phase has been fully operational in supplying automotive components to SGMW, Wuling Industrial 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.

In addition to the above facilities, the Group has also recently established a new production facilities in Guiyang in the Guizhou province, which has commenced operation during the year by supplying automotive components to another renowned local car manufacturer. Over the past few years, the Group has taken strategic steps in the PRC to transform from a single production point operation in Liuzhou into an interprovincial production group with facilities in Guangxi, Shandong, Chongqing and Guizhou, 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.

Apart from the geographical expansion in capacity, 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 had commenced operation in the second half of 2017.

The production plant in Indonesia comprised 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 an initial planned production volume of 100,000 sets/units per annum. During the year, due to the low utilization rate of the operating facilities, the production plant in Indonesia continued to incur operating loss. However, 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 considers that the business performance of the Group's automotive components businesses in Indonesia will be improved in the foreseeable future.

Meanwhile, the Group had further expanded its overseas operations by establishing a small scale manufacturing plant in India targeted for the automotive component business of a renowned Chinese car manufacturer in India. Construction of this plant was completed during the year of which scale operation had commenced in second half of 2019.

Going forward, 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, and the implementation of the appropriate strategic programmes, will continue to provide strong supports to the operation of the automotive components and other industrial services division in the years onwards.

Specialized Vehicles

Total revenue (based on external sales) of the specialized vehicles division undertaken by Wuling Industrial for the year ended 31 December 2019 was RMB4,474,073,000, representing an increase of 6.6% as compared to previous year. Operating profit for the year was RMB81,123,000, representing a substantial increase of 100.8%.

During this year, Wuling Industrial sold approximately 116,000 specialized vehicles, representing an increase of 5.3% as compared to previous year. In which, the sale volume of redecorated vans (for goods), redecorated vans (for passengers) and other types of vehicles (primarily sight-seeing vehicles, passenger buses and school buses) were approximately 86,700, 25,000 and 4,300 respectively, amongst which approximately 2,000 vehicles were new energy vehicles (primarily electric vehicles).

Despite the highly competitive business environment, proactive marketing strategies and continuous launches of new models benefited the business performance of the division from which the momentum of the sale volume of redecorated vans (for goods and for passengers) was impressively maintained and continued to rank as the leading supplier in this market segment. Due to keen market competition, the sale volume of passenger buses and school buses experienced certain extent of decline. Meanwhile, the Group continued to experience a moderate increase in the sale volume of electric vehicles contributed primarily from the electric sight-seeing vehicles and electric logistic vehicles. Wuling's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and provided positive feedback from the market.

Operating margin improved to 1.8% for the year. However, high portion of redecorated vans (for goods and for passengers) having low profit margin, competitive pricing strategy and increasing production costs resulting from product upgrades and improvement continued to limit the profitability performance of the division. Meanwhile, business performance of the division for the year was also adversely affected by the increasing costs of transportation and warranty expenses associated with the implementation of stringent requirements in the industry. Nevertheless, as a leading manufacturer in this niche market, the Group is confident that the profitability of this division will eventually be improved due to the increasing sale volume of higher end products in the market in consequence of the increasing customers' preferences towards higher quality products where the Group is working towards strategically.

The specialized vehicles division operates comprehensive car assembly lines which cover 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 electric 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 mainly branded as "Wuling", which is itself a benchmark of quality products and services in the market. Besides, in line with the national policies relating to environment protection and the promotion of clean energy, 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, certain electric vehicle products of the Group, including electric logistic vehicle, electric sightseeing buses and other electric vehicles, had started to gradually launch to the market.

On the technological and product development aspect, Wuling Industrial has actively undertaken projects by adopting the technical knowhow as developed from the above electric vehicles products as the platform to explore and develop a series of electric specialized vehicles suitable for peculiar business segments, which would cover the car sharing and auto pilot aspects. In cooperation with other reputable business partners, respective trial runs for car sharing and auto pilot projects have been carried out in late 2018 and early 2019 in which initial responses are satisfactory and encouraging.

Over the years, the Group had unremittingly developed new models of specialized vehicles with improved quality and added features in response to market demands and enhanced regulatory standards. The Group is confident the launches 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 60,000 vehicles. Taking the advantage of having an existing operation in Chongqing, the Group has commenced the construction of a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 50,000 vehicles, completion of 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.

Besides our proactive marketing strategies and continuous launches of new models, our focus on delivery of a high standard of customer services with prompt responsiveness to customers' feedbacks are also important in further promoting our business potential in the specialized vehicles segment. The extensive operations of our current more than 400 service stations situated in over 19 geographic service areas keep us abreast of market trend and development in the industry for deriving the suitable business strategy for the specialized vehicles division. The consecutive impressive growth in business volume in recent years essentially demonstrated the positive impact from these multi-dimensional strategy, which enable the Group to head towards the essential breakthrough platform in this segment.

The Group would strive to maintain a prominent market share, and at the same time, explore the opportunity for future growth potential to further improving the profitability of the specialized vehicles segment, through implementation of active business strategies in promoting our products to the regions where Group's products are still having a lower penetration rate.

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.

Performance of Principal Joint Ventures and Associated Companies

Liuzhou Lingte Motor Technology Company Limited ("Liuzhou Lingte"), which is owned as to 51% by Wuling Liuji and formed with IAT Automobile Technology Co., Ltd., for purpose of developing and pursuing the businesses of our owned proprietary V6 cylinder engine products, did not make any significant progress during the year. Following the completion of the launch of the 3.0L Advanced Model, business volume remained small and Wuling Liuji and Liuzhou Lingte continued to work together to formulate appropriate marketing plan for promoting the product to targeted customers. Whilst the successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry, mass and profitable operation was yet to kick off due to the general sluggish business environment faced by the automobile industry. During the year ended 31 December 2019, Liuzhou Lingte registered an annual revenue of RMB8,159,000, representing a year-on-year increase of 62%, whereas net operating loss was further increased by 23% to RMB12,159,000 due to the low utilization rate and the moderate increase of administrative expenses, in which a loss of RMB6,201,000 was attributable to the Group.

Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang"), which is owned as to 50% by Wuling Industrial and formed with Guangxi Liugong Machinery Company Limited for developing and pursuing the businesses of engineering machinery and other industrial vehicles products maintained its profitability during the year due to the stable business environment of the construction and engineering machinery market. During the year ended 31 December 2019, Guangxi Weixiang registered an annual revenue of RMB536,637,000, representing a slight decrease of 3.7% on a year-on-year basis, whereas net operating profit was moderately improved by 4.1% to RMB12,357,000, in which a profit of RMB6,179,000 was attributable to the Group.

FL Seating which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established on 26 September 2017 for pursuing the business of car seat products in the PRC has entered into the second year of operation in 2019. It is expected that the cooperation with Faurecia Group, being a global leading manufacturer in the business of automotive parts and components will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat businesses for the existing customers as well as other new customers. FL Seating, which operation is primarily facilitated by the transfer of machinery and equipment, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial in Liuzhou and Qingdao, experienced certain setbacks during the year ended 31 December 2019 resulting from the general sluggish business environment faced by the automobile industry. During the year ended 31 December 2019, FL Seating achieved an annual revenue of RMB603,570,000, representing a year-on-year decrease of 14.1%, whereas a net operating loss of RMB18,444,000 was incurred (as compared to a net operating profit of RMB14,090,000 achieved in 2018) due to a decline in the business volume and the gross profit margin and a substantial increase in the administrative expenses, in which a loss of RMB9,222,000 was attributable to the Group.

FL Interior which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established on 5 February 2018 for pursuing the business of automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim in the PRC has commenced operation in April 2018. It is expected that the co-operation with Faurecia Group will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in these types of products from SGMW as well as other new customers. FL Interior, which operation is also primarily facilitated by the transfer of machinery and equipment, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial in Liuzhou and Qingdao, faced with the same adversity as FL Seating as abovementioned and experienced certain setbacks during the year ended 31 December 2019. During the year ended 31 December 2019, FL Interior achieved an annual revenue of RMB487,058,000, representing a year-on-year increase of 35.9% due to the full year operation, whereas net operating profit was significantly reduced by over 95% to RMB778,000 due to a lower gross profit margin and a substantial increase in the administrative expenses, in which a profit of RMB389,000 was attributable to the Group.

FL Emission which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established in March 2019 for pursuing the business of automotive emissions control system products and related parts and components in the PRC has commenced operation in May 2019. It is expected that the co-operation with Faurecia Group will provide essential technical support to the Group in further promoting its business opportunities in these types of products from SGMW as well as other new customers. In accordance with the joint venture agreement, Wuling Industrial and Faurecia Group would each contribute cash in the amount of RMB60,000,000 to the newly formed FL Emission. The initial operation of FL Emission was primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of automotive emissions control system products located in Liuzhou and the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou. During the year ended 31 December 2019, faced with the same adversity as FL Seating and FL Interior as abovementioned and the additional costs incurred in the initial operation, sale of FL Emission amounted to RMB185,186,000, whereas a net operating loss of RMB15,768,000 was incurred, in which RMB7,884,000 was attributable to the Group.

In April 2018, Wuling Industrial entered into a joint venture agreement with American Axle & Manufacturing, Inc. ("AAM International") with respect to the joint establishment of Liuzhou AAM Automotive Transmission System Co., Ltd. ("AAMJV"), which is owned as to 50% by Wuling Industrial and 50% by AAM International pursuant to the joint venture agreement, for the purpose of developing and pursuing the business of the manufacturing and sales of driveline products business, which includes the independent drive axles, propshafts and other driveline products, driveheads for high-end Salisbury axles or banjo axles, e-drive units for new energy vehicles, and other driveline components for motor vehicles. It is expected that the co-operation with AAM International will enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high end passenger vehicles, from which the joint venture company could serve as a platform to co-operate on and operate vertical rear axles, transmission axles and other business, furthering the technology development of vehicle axle products. In accordance with the joint venture agreement, Wuling Industrial and AAM International would each contribute cash in the amount of RMB69,000,000 to AAMJV. AAMJV has been formally established in July 2018, which has occupied the highly automated "Smart Factory" under the third phase development of the Liudong Facilities for its operation. During the year ended 31 December 2019, faced with the same adversity as the abovementioned joint ventures, the planned projects of AAMJV had been delayed, as a result AAMJV could only manage an annual revenue of RMB26,275,000 in its first year of operation, whereas a net operating loss of RMB16,727,000 was incurred due to the low utilization rate and the additional costs incurred in the initial operation the moderate increase of administrative expenses, in which RMB8,364,000 was attributable to the Group.

ADVERSE IMPACTS OF THE CORONAVIRUS (COVID-19) TO THE GROUP AND ITS ASSOCIATES

The revenue of the Group and its associates, which are primarily derived from the operations in the PRC, have been adversely affected by the outbreak of the coronavirus (COVID-19) took place in the PRC since January 2020. In this regard, the main production facilities of the Group in the PRC, which located in Liuzhou, Qingdao and Chongqing, were all experiencing certain extent of delays and disruption in operations. Because of such adverse impact, the operating results of the Group in the first quarter of 2020 had been materially affected. Facing with these unprecedented adverse factors, the Group has carried out necessary steps for the purpose of lessening the negative impacts associated with the COVID-19 epidemic on its operation and business, such as, the implementation of additional health and safety policies and procedures to facilitate the resumption of the Group's production in the PRC after the extended Chinese New Year holidays in order to provide an appropriate working environment for its staff and workers, which in turn would help to ensure a smooth operation of the Group as far as possible. From March 2020 onwards, all of the main production facilities in the PRC as abovementioned had resumed operations and the management of the Group will continue to closely monitor the situation and take appropriate actions in co-operation with the customers and suppliers, in order to resume the operations of the Group to the normal level as soon as practicable.

The Directors would like to emphasize that given the high uncertainties relating to the epidemic coronavirus at the moment, it is difficult to predict the extent of the adverse impacts of the coronavirus (COVID-19) on the operations and businesses of the Group at the moment.

Financial Review

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group's total revenue for the year ended 31 December 2019 was RMB14,237,305,000, representing a decrease of 5.8% as compared to previous year. The decrease was mainly attributable to the persistent unfavourable market environment of the automotive industry in China. In light of the above, due to a reduction in the business volume contributed by a key customer of the Group, segment revenue of the Group's automotive components and other industrial services division experienced a substantial decrease during the year ended 31 December 2019. Meanwhile, benefited from the launches of new products, i.e. the National VI standard engines products, in the second half of 2019, revenue from the Group's engines and related parts division experienced a recovery during the year, whereas, the continuous launches of new models and the active promotion of the Group's specialized vehicles, revenue from the specialized vehicles division was able to maintain a stable volume despite the general sluggish business environment faced by the automobile industry.

Gross profit for the year under review was RMB1,172,160,000, representing a decrease of 8.6%. Apart from the negative impact from the decrease in revenue of the automotive components and other industrial services division, highly competitive business environment led to a lower selling prices of the Group's engine products and the additional costs incurred in the launches of new products drove down the profit margin, which resulted in operating losses in the engines and related parts division during the year ended 31 December 2019. In addition, the operating losses incurred in the production plant in Indonesia and the new production facilities in Guiyang had also adversely affected the profitability of the Group. For the year ended 31 December 2019, Group's gross profit margin eased to 8.2% as compared to the 8.5% as recorded in previous year.

The adverse impact from the decline in gross profit was slightly alleviated by a decrease in the general and administrative expenses which were mainly contributed from a lower staff cost resulting from the transfer of administrative staff to the joint ventures and associates following their respective commencement of operation. However, increase in the research and development expenses of the Group due to launch of certain new products and the share of losses from the joint ventures and associates as affected by the general unfavourable market condition of the automobile industry, as well as the impairment losses made against the property, plant and equipment and long overdue trade receivables, resulted in a significant decrease of net profit of the Group which amounted to RMB1,145,000 during the year ended 31 December 2019, representing a substantial decrease of 99.1% as compared to previous year. The net profit of the Group had also taken into account of an income tax credit of RMB15,279,000, primarily resulting from the reversal of overprovision in prior years and the related effective interest expenses and the foreign exchange loss incurred by the Company for the convertible loan notes which amounted to RMB43,360,000 in total.

Due to the bearing of the abovementioned related effective interest expenses and the foreign exchange loss incurred by the Company for the convertible loan notes amounting to RMB43,360,000, the Company recorded a loss attributable to the owners of the Company of RMB21,232,000 for the year ended 31 December 2019, as compared to the profit attributable to the owners of the Company of RMB70,673,000 for the previous year. Accordingly, basic and diluted loss per share for the year ended 31 December 2019 was RMB1.04 cents, as compared to the basic and diluted earnings per share of RMB3.45 cents and RMB2.73 cents respectively as recorded in previous year.

Other income comprised primarily bank interest income, sales of scrap materials and parts, government subsidies and other services income was in aggregate RMB199,982,000 for the year ended 31 December 2019, representing an increase of 23.4% as compared to previous year due to increases in sales of scrap materials and parts and government subsidies.

Other gains and losses amounted to a net loss of RMB36,030,000 for the year ended 31 December 2019, which comprised primarily net loss on disposals of certain property, plant and machinery amounting to RMB12,484,000, foreign exchange losses of RMB27,344,000 (which amount was partly offset by the gain on the forward contracts entered into by the Group amounting to RMB22,670,000), impairment losses on property, plant and equipment in Indonesia amounting to RMB22,636,000, gain from revaluation of investment properties of RMB4,921,000 and gain from the effect of changes in fair value on the convertible loan notes amounting to RMB1,227,000.

Share of result of associates represented primarily the net operating losses attributable to the joint ventures formed with the Faurecia Group, namely FL Seating and FL Emission, whereas, FL Interior was managed to deliver a small amount of operating profit during the year ended 31 December 2019. Due to a substantial decrease in the business volume of SGMW resulting from the unfavourable business environment, FL Seating and FL Interior were both experienced certain extent of decline in the business volume and setbacks in the operation whereas, FL Emission also incurred net operating losses due to the unfavourable business environment and its initial stage of operation.

Share of results of joint ventures registered a total net losses of RMB9,928,000 for the year ended 31 December 2019, primarily attributable to the net operating losses of Liuzhou Lingte and AAMJV, where the scale operations were yet to kick started during the year, whereas, Guangxi Weixiang which business continued to be benefited from the favourable business environment of its business segment and was managed to deliver a set of profitable results during the year ended 31 December 2019.

Selling and distribution costs of the Group comprised primarily transportation costs, staff costs and other marketing expenses were in aggregate RMB184,370,000 for the year ended 31 December 2019, representing a decrease of 24.5% as compared to previous year which was in line with the decrease in revenue of the automotive components and other industrial services division resulting in a substantial decrease in warranty expenses and transportation costs.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB772,157,000 for the year ended 31 December 2019, representing a decrease of 11.5% as compared to previous year. Facing the tough and highly competitive business environment, the Group had implemented various cost control measures in containing the general and administrative expenses of the Group aiming at alleviating the adverse impact from a tightening gross profit margin and promoting competitiveness and efficiency. The strategic move of expanding and pursuing future business activities through the formation of joint ventures with prominent businesses helped to reduce the administrative expenses of the Group.

Research and development expenses for the year ended 31 December 2019 amounted to RMB195,034,000, representing an increase of 38.7% as compared to previous year due to launch of certain new products. 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 2019 amounted to RMB145,267,000, representing an increase of 9.1% as compared to previous year due to an increase in the bank and other borrowings in the Group's operations in PRC during the year. The finance costs had also included an amount of RMB39,729,000 incurred for the convertible loan notes issued by the Company, calculated on the effective interest rates method.

Consolidated Statement of Financial Position

As at 31 December 2019, total assets and total liabilities of the Group stood at RMB15,969,183,000 and RMB13,496,100,000 respectively.

Non-current assets amounted to RMB4,715,864,000 comprised mainly property, plant and equipment, right-of-use assets, interests in joint ventures and associates, etc., which were increased as compared to previous year due to the capital expenditures incurred in this year in relation to the acquisition cost of plant and machinery and construction in progress.

Current assets amounted to RMB11,253,319,000 comprised mainly inventories of RMB1,668,735,000, trade and other receivables of RMB4,035,821,000, bills receivables at fair value through other comprehensive income of RMB4,011,138,000 (inclusive of bills receivables discounted with recourse but not yet matured amounting to RMB3,230,761,000), pledged bank deposits of RMB678,374,000 and bank balances and cash of RMB838,056,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,253,891,000 was recorded as trade and other receivables in the consolidated statement of financial position. These receivables balances were subject to normal commercial settlement terms.

Current liabilities amounted to RMB12,593,949,000, comprised mainly trade and other payables of RMB7,514,558,000, contract liabilities of RMB466,341,000, lease liabilities of RMB56,634,000 provision for warranty of RMB77,530,000, tax payable of RMB56,662,000, convertible loan notes of RMB214,050,000, bank and other borrowings — due within one year of RMB955,527,000 and advances drawn on bills receivables discounted with recourse of RMB3,250,263,000. The corresponding bills receivables discounted with recourse to these advances amounting to RMB3,230,761,000 were recorded as trade and other receivables which would be offset against upon maturity at 31 December 2019.

The Group recorded net current liabilities of RMB1,340,630,000 as at 31 December 2019, which had been decreased as compared to the net current liabilities of RMB1,543,517,000 as at 31 December 2018, due to the raising of non-current loans from banks and ultimate holding company during the year, whereas, the liability component of the convertible loan notes was transferred from non-current liabilities to current liabilities during the year in accordance with the date of maturity.

Non-current liabilities amounted to RMB902,151,000 comprised mainly bank and other borrowings — due after one year of RMB720,000,000, (including loans from ultimate holding company – due after one year of RMB500,000,000), lease liabilities of RMB36,109,000, contract liabilities of RMB67,758,000, deferred tax liability of RMB28,284,000 and amount due to an associate of RMB50,000,000.

Liquidity and Capital Structure

During the year ended 31 December 2019, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the drawdown of bank borrowings, loans from ultimate holding company and the bill receivables discounted.

The Group considers the application of alternative means of financing, i.e. bank borrowings and bill discounting activities in terms of the respective finance cost consideration. Besides, to contain finance costs of the Group, Guangxi Automobile provided sources of finance to the Group through bill discounting activities and non-current loans at the most favourable terms offered in the market.

As at 31 December 2019, total bank balances and cash maintained by the Group amounted to RMB838,056,000. Besides, pledged bank deposits amounting to RMB678,374,000 were also maintained to secure the banking facilities offered to the Group (mainly bills payable facilities).

The Group's bank and other borrowings – due within one year (other than advances drawn on bill receivables discounted with recourse) amounted to RMB955,527,000 as at 31 December 2019, which were increased moderately since last year to serve as an alternative source of finance, which included lower interest rate foreign currency one year term loans amounting to USD105,000,000. The Group had entered into appropriate forward contracts to hedge against the currency risk of these foreign currency bank loans.

As at 31 December 2019, the outstanding advances drawn on bill receivables discounted with resource were RMB3,250,263,000 which were increased during the year, amongst which, advances amounting to RMB774,730,000 were drawn from Guangxi Automobile. The corresponding bill receivables discounted with recourse to these advances amounting to RMB3,230,761,000 were recorded as bills receivables at fair value through other comprehensive income which would be off set against upon maturity.

In addition to the above loans and advances which were due within one year, during the year ended 31 December 2019, the Group had also obtained bank borrowings and loans from Guangxi Automobile amounting to RMB220,000,000 and RMB500,000,000 respectively which were repayable after one year.

As at 31 December 2019, the Group's gearing ratio, being calculated based on the Group's total bank and other borrowings (exclusive of advances drawn on bills receivable discounted with recourse) and the Group's net assets, was approximately 67.8%, which showed a substantial increase as compared to the gearing ratio of approximately 30.7% as recorded at 31 December 2018.

Apart from the bank borrowings, the advances drawn on bill receivables discounted with recourse and the loans from Guangxi Automobile, on 23 May 2017, the Company raised certain longer term financing through the issue convertible loan notes of a principal amount of HKD400,000,000 to Wuling (Hong Kong) Holdings Limited ("Wuling HK"), our controlling shareholder, as approved by the independent shareholders of the Company at a special general meeting held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 Shares at an initial conversion price of HKD0.70 per share on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020) (the "Convertible Loan Notes"). Among which, the convertible loan notes of a principal amount of HKD150,000,000 were converted by Wuling HK into a total number of 214,285,714 Shares on 29 December 2017. As a result of the conversion, the percentage of shareholding of Wuling HK in the Company has increased from 56.04% to 60.64%.

Subsequent to the above conversion, the aggregate principal amount of convertible loan notes remained outstanding was HKD250,000,000, which would be eligible to be converted into a total number of 357,142,857 Shares (before adjustment pursuant to the Rights Issue as defined and described below) according to the abovementioned terms and conditions.

As reported in the interim report of the Company for the six months ended 30 June 2019, based on the financial and liquidity position of the Group as at 30 June 2019, the Board considers the Group has adequate financial resources in meeting the redemption obligations of the outstanding convertible loan notes which have an expiry date on 23 May 2020. Nevertheless, the Board has periodically reviewed the Group's business environment from time to time and has expected that the Group will continue to be subject to the increasing complexity of the world and PRC economies and a declining growth rate of the domestic market in the coming future. In light of the above, the Company decided to raise funds from a rights issue for partial repayment of the Convertible Loan Notes which would be matured on 23 May 2020.

In this connection, it was announced on 2 January 2020 that (i) the Company proposed to raise a total of approximately HKD205.01 million, before expenses, by way of the issue of new shares of the Company on the basis of one (1) rights share for every two (2) shares held on 21 February 2020 (as determined by the respective underwriting agreement and supplemental underwriting agreement dated 2 January 2020 and 29 January 2020 respectively) at the subscription price of HKD0.20 (the "Subscription Price") per rights share (the "Rights Issue"); (ii) Wuling HK and Dragon Hill Development Limited, both being substantial shareholders of the Company, had irrevocably and unconditionally undertaken to, among other things, apply for and pay for the certain number of rights shares of the Company as provisionally allotted to them; and (iii) the rights shares not taken up by the shareholders of the Company will be fully underwritten by the underwriter, Zhongtai International Securities Limited and/or other sub-underwriters to the Rights Issue. The net proceeds of the Rights Issue which amounted to approximately HKD200.01 million will be fully used as a partial repayment of all of the outstanding amount of the convertible loan notes of the Company in the amount of approximately HKD260.00 million (including both outstanding principal and related interests) upon its maturity on 23 May 2020.

The Board considers that although the Company did not have any imminent financial needs nor had it identified any business opportunity for the time being, retaining financial resources for business development and operation would provide the Group with more resources and flexibility in capturing any business opportunity if and when it arises in an efficient manner in case no fund raising need is then required. On that basis, the Board further considers that it is appropriate to raise funds for the purpose of repaying all outstanding balances related to the Convertible Loan Notes upon its expiry on 23 May 2020. Among various fund raising opportunities, the Board, having considered the outstanding principal amount of HKD250 million of the Convertible Loan Notes, further considers that substantial portion of the funds required should be raised through equity fund raising alternatives which will strengthen the Group's capital base and enhance its financial position without increasing finance costs heavily. Among different equity fund raising alternatives, the Board is of the view that the Rights Issue will allow all qualifying shareholders of the Company the opportunity to participate in the growth of the Group through the Rights Issue at the Subscription Price which is lower than the then market price per Share while maintaining their respective proportional shareholdings in the Company. In addition, the Rights Issue, as opposed to an open offer, also enables the qualifying shareholders of the Company to sell the nil-paid rights shares in the market if they so wish. The Board therefore considers that the fund raising through the Rights Issue is in the interests of the Company and the shareholders of the Company as a whole.

The Rights Issue was subsequently become unconditional on 10 March 2020 and was completed on 16 March 2020. Further details of the Rights Issue are available in the Company's announcements dated 2 January, 2020, 29 January 2020 and 16 March 2020 and the Company's prospectus dated 24 February 2020.

Upon completion of the Rights Issue and according to the terms and conditions of the Convertible Loan Notes, adjustments to the conversion price and number of shares of the Company issuable upon exercise of the conversion rights attaching to all of the outstanding principal amount of the Convertible Loan Notes had become effective from 24 February 2020, being the day next following the record date of the Rights Issue (i.e., 21 February 2020), of which the subscription price has been adjusted to HKD0.63 per share, whereas, the total number of shares of the Company issuable has been adjusted to 396,825,396 shares of the Company.

Assuming full conversion of the outstanding convertible loan notes which are currently held Wuling HK, the controlling shareholder of the Company, as at the date of this results announcement, the number of issued shares of the Company would be increased by approximately 12.9% from 3,075,161,332 Shares to 3,471,986,728 Shares, from which the percentage shareholding of the controlling shareholder, Wuling HK, would be increased from 60.64% to 65.14%, whereas, the percentage of shareholding of the second largest shareholder of the Company, Dragon Hill Development Limited would be decreased from 11.60% to 10.27%. However, there are restrictions on the convertible loan notes such that no conversion would be made if it will cause the Company to be in breach of the public float requirement under the Listing Rules.

In addition, having considered the closing market price of the Share as at 31 December 2019 and the date of this preliminary announcement which was traded below the conversion price of the Convertible Loan Notes and the abovementioned restriction such that no material conversion could be made as at 31 December 2019, the Board considers there would not be any significant impact on the market price of the Shares upon the entire and/or partial conversion of the outstanding Convertible Loan Notes of the Company.

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 RMB1,413,398,000 as at 31 December 2019. Net asset value per share was approximately RMB68.9 cents as at 31 December 2019 (before the adjustments pursuant to the completion of the abovementioned Rights Issue).

In view of the unfavourable business environment and the unprecedented adverse impacts from the coronavirus (COVID-19), the Group had been and would cautiously implement its strategic and business plans such that the financial position in terms of the net assets of the Group and attributable to the owners of the Company, the amount of net current liabilities and the gearing ratio of the Group would be sustained in a financial healthy position. The Directors consider the current financial position of the Group will enable it to withstand the risks and challenges under the current difficult market environment.

In this regard, the Group will continue to closely monitor the liquidity and financial position of the Group, as well as the market environment (including the unprecedented adverse issues) and the financial market from time to time in order to arrive at an appropriate financial strategy for the Group.

DIVIDEND

The Directors would recommend the payment of a final dividend for the year ended 31 December 2019, if any, on conclusion of the audited financial statement of the Company for the year ended 31 December 2019 and would make a further announcement in due course (2018: HKD0.5 cent).

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 2019 (2018: 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 2018, 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.

PREPARATION AND REVIEW OF THIS PRELIMINARY UNAUDITED RESULTS ANNOUNCEMENT

The operations of the Group and its associates are primarily in the PRC where the main production facilities are situated in Liuzhou, Qingdao and Chongqing. The outbreak of the coronavirus (COVID-19) took place in the PRC since January 2020 and the imposition of traffic control and mandatory quarantine requirements by the central and local government had severely affected the audit procedures of the Company's external auditor, Deloitte Touche Tohmatsu in performing the annual audit of the Group for the year ended 31 December 2019. Owing to this, Deloitte Touche Tohmatsu was not able to complete the required audit procedures, which included but not limited to, the performance of the site visits of the operation and production facilities of the Group in the PRC, the physical inspection of the important source documents and confirmations of certain material items in the financial statements, the final assessment of the Group's inventories, trade and other receivables, tax payables and certain items in the Group's property, plant and equipment and interests in associates and joint ventures, before the publication of this preliminary announcement.

In this connection, the Directors wish to inform that the unaudited results of the Group for the year ended 31 December 2019 as set out in this preliminary announcement is prepared in accordance with the latest unaudited management accounts of the Group for the year ended 31 December 2019 and may be subject to changes upon completion of the abovementioned outstanding audit procedures.

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. Wang Yuben and Mr. Mi Jianguo, 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 of the financial information as disclosed in this preliminary announcement for the year ended 31 December 2019 before such documents were tabled for the Board's review and approval, and discussed matters relating to audit, internal control system and financial reporting processes of the Group.

FURTHER ANNOUNCEMENT, AUDITED FINANCIAL STATEMENTS AND ANNUAL REPORT

The Company will issue further announcement(s) in relation to the recommendation of a final dividend (if any) and the audited results of the Group for the year ended 31 December 2019 as agreed by Deloitte Touche Tohmatsu and to report the details of the material differences (if any) as compared to the unaudited results contained in this preliminary announcement upon completion of the required audit procedures by Deloitte Touche Tohmatsu.

According to the current progress of the audit procedures performed by Deloitte Touche Tohmatsu, it is expected the required audit procedures of the annual audit of the Group for the year ended 31 December 2019 would be completed by end of April 2020 and that the audited financial statements of the Company for the year ended 31 December 2019 would be available thereafter.

The annual report of the Company for the year ended 31 December 2019 containing the audited financial statements of the Company and 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. Yang Jianyong and Mr. Wang Zhengtong as executive directors and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive directors.

On behalf of the Board
Yuan Zhijun
Chairman

Hong Kong, 31 March 2020