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

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2019

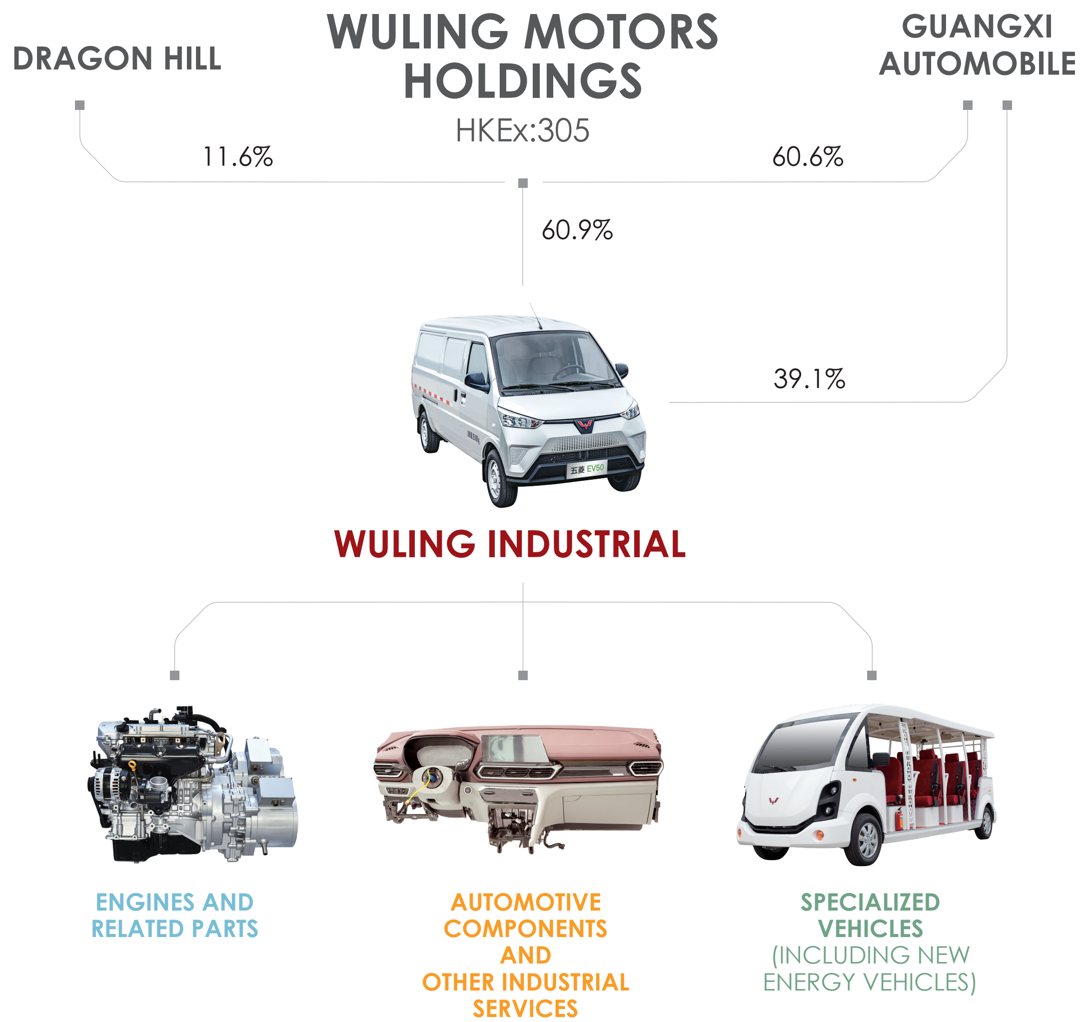
HKEx Stock Code : 305

Entering the Era of
HIGH PERFORMANCE
with **CLEAN ENERGY**

CORPORATE PROFILE

Wuling Motors Holdings Limited ("Wuling Motors Holdings" or the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles. Our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China and Asia. We supply engines and automotive components to commercial-type mini-vehicles and passenger vehicles. We also manufacture and supply different types of specialized vehicles, including electric vehicles in China. The Group's main production facilities are located in Liuzhou, Qingdao, Chongqing and Indonesia. Since 2018, we have been ranked as one of the Global Top 100 Enterprises of Automotive Components Suppliers.

GROUP STRUCTURE



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Mr. Yuan Zhijun
Chairman

CHAIRMAN'S STATEMENT

PREFACE

Spring is the right time to forge ahead and start again in a crucial year. The past year 2019 was the 70th anniversary of the founding of the People's Republic of China and a crucial year for the establishment of a moderately prosperous society in all aspects and realize the first centennial goal. Against the backdrop of continuous slowdown of China's economic growth, the automobile industry declined for the second consecutive year. Given the tough situation of rising supply chain cost, Wuling Motors Holdings Limited adhered to the management principle of "Pursuing Growth Amid Stability Progressing with Determined Goals", continued to deepen the reformation and innovation of its management measures and was well positioned to seize opportunities to expand new business and new market and promote product upgrade and smart manufacturing transformation. It endeavored to overcome the downward pressure in the market and ensured the Group's overall business to maintain stable development in 2019 despite tough market environment. Wuling Motors Holdings Limited recorded revenue of RMB14,237,305,000 for 2019, representing a year-on-year decrease of 5.8%. Due to the impairment losses made against the Group's property, plant and equipment amounting to RMB187,636,000, having considered the unfavourable economic conditions faced by the local and world market, the bearing of the related effective interest expenses and the foreign exchange loss incurred by the Company for the convertible loan notes (to be matured in May 2020) amounting to RMB43,360,000, the Group recorded a net loss for the year amounting to RMB166,615,000. Owing to this, the Company also recorded a loss attributable to the owners of the Company of RMB124,026,000.

REVIEW OF MAJOR ACHIEVEMENTS IN 2019

In 2019, the Group's operation was severely challenged by various factors, including the rising raw material price and logistics costs, the automobile industry's 16 consecutive months of decline and the decreased production volume of its major customers. In this case, the Group stuck to the transformation of automotive components to be "passenger-oriented", and, taking the opportunity from the upgrade of national 6 emission standards to expand its engine business, accelerate its new energy development planning, develop new driving forces and realize a new breakthrough of the car assembly business by focusing on the segment markets and implementing innovative marketing model. It deepened the joint venture achievements in all aspects, made full use of the whole value chain to promote quality development of the Group and ensured the Group to "Pursue Growth Amid Stability and Progress with Determined Goals". The details of the Group's business in 2019 are as follows:

Upgrading Passenger-Oriented Components Transformation and Expanding Engine Business by the Chance of Upgrade of National 6 Emission Standards

The Group made technological standard innovation and process standard enhancement to develop passenger vehicle products and expand our components and parts business to passenger vehicle market. Affected by the decline in the business of its major customers, the Group adjusted the business strategy for the components and parts division. On one hand, it actively undertook and developed the new models of passenger vehicle products for its major customers, further improved the quality of components and parts and the related supporting work; on the other hand, it actively expanded into new markets. The supply of components and parts of the MPV products for Geely's Guiyang Facilities achieved bulk order in January 2019, with an annual output value of approximately RMB100 million. It has been admitted into the new energy supply system of Beijing Automotive by undertaking the production of electric rear axle for Chongqing Ruichi. It has undertaken the production of subframe and other products, which are currently under development, for the Great Wall, JAC and other customers. In 2019, the percentage of the Group's passenger vehicle components and parts exceeded 70%. Revenue from the components and parts was RMB7,117,211,000.

Benefitted from early planning, early research and development and early market launch, the Group has upgraded its engine products pursuant to the national 6 emission standards and determined the smart factory project. Taking the opportunity arising from the switch of national 5 standards to national 6 emission standards, the Group achieved the bulk supply of engines satisfying the national 6 emission standards to various enterprises, including JAC, Dongfeng Moto and MAXUS. The production of components and parts for Geely Auto also progressed well with a monthly output of less than 5,000 engines to 20,000 engines and its annual sales target was reached ahead of schedule. Besides, the Group promoted the research and development of new energy hybrid engine, electric engine, electric engine controller products and new energy power system integration, and stepped up its efforts in market expansion through early planning. As a result, revenue from the engine segment increased amid market decline, providing a strong support to the sustainable business development of the Group.

Increasing Investment in Technological Innovation and Intelligent Manufacturing, Deepening Joint Venture Achievements and Making Full Use of the Whole Value Chain

In 2019, the Group continued to increase investment in technological innovation. The first 2,700 tons multi-station servo press in Guangxi came into service in the welding plant of the Company in the mid-year, which has effectively reduced the energy and material consumption during production, significantly improved the production rate in a quality and efficient manner, and strongly supported the expansion of the Group's high-end components and parts business. Meanwhile, the Group also launched six intelligent manufacturing projects including the digital management of product research and development and realized intelligent and flexible mixed-line manufacturing, seeing 20% increase in average production efficiency; realized automatic capturing of customer requirements, seeing 20% improvement in on-site service response; and realized intelligent logistics management, seeing 5 times decrease in average inventory turnover days, 30% decrease in average personnel allocation and 20% decrease in manufacturing costs, in particular, Liuzhou Wuling Motors Industrial Company Limited ("**Wuling Industrial**"), a major subsidiary of the Group, was awarded the Logistics Technology Innovation Award at the 2019 Global Logistics Technology Conference for its RFID Inventory System in the finished product warehouse. In 2019, the Group continued to deepen the cooperation with the Fortune Global 500 companies in respect of the components and parts business in order to further consolidate its achievements of business transformation. Liuzhou AAM and other joint ventures established with American Axle & Manufacturing, Inc. ("**American Axle & Manufacturing**") officially commenced independent operation in the year. In October 2019, Faurecia (Liuzhou) Emissions Control. Technologies Co., Ltd., jointly established by Wuling Industrial and Faurecia Group of France commenced operation. The joint ventures are expected to show their ability in the whole value chain, including product, technology, quality and promotion, and promote the quality development of the Group's business in the future.

Accelerating New Energy Business Planning and Developing New Power to Catch up and Surpass

For recent years, the automobile industry has sped up its development and transformation toward the New Four Modernization and the government has issued a series of preferential policies on the new energy vehicles. After careful research on the development trend in the market and national industry policies, the Group took the opportunity of the new energy vehicle business to accelerate the development of new energy vehicle assembly business, expand into the major new energy vehicle components and parts business and develop new driving forces. After over one year's careful preparation and organization, Guangxi Automobile Holdings Limited ("**Guangxi Automobile**"), the controlling shareholder of the Group, obtained the license for new energy bus production in October 2019, the first enterprise in Guangxi, and proactively promoted the business expansion into the production and marketing of other types of new energy vehicles. To this end, Wuling Industrial has launched many other types or models of new energy vehicle, including the G100 new energy logistics vehicle, electric logistics vehicle, electric cruiser and electric tour bus. In respect of the major components and parts business planning, the Group, through its subsidiaries or joint ventures, has independently developed various products, including new energy electric rear axle, electric press, electric engine, electric controller, electric rear axle, 3-in-1 electric drive assembly, range extender and hybrid engine system. In the future, the Group will seize opportunities to continue to develop the core technologies of new energy, diversify new energy products and drive the development of businesses in a sustainable and healthy manner.

Innovating Marketing Mode, Focusing on Segment Markets and Realizing a New Breakthrough of Car Assembly Business

In 2019, the Group intensified its support to the marketing team, innovated marketing mode and, through programmes like North-South linkage tour and Spring Breeze Action, seized market opportunities to expand distribution channels continuously, which received good results. The car assembly business performed well throughout the year, with sales volume reaching a historic high, of which, sales volume of the redecorated vehicles and off-road vehicles reached 116,000, representing a year-on-year increase of 5.3%. The market share of refitted cargo vehicles (貨改車) firmly ranking first in the industry in China and with over 50% in the 16 provinces. The market share of refitted passenger vehicles (客改車) also maintained a steady growth. Both market share and retail sales capability increased. The Group continued to make fruitful efforts in segment markets, of which, special refrigerator vehicle recorded a year-on-year growth of 10.3%, keeping the largest share in the segment market; Wuling wing opening van increased by 31.7% year on year; and the electric off-road vehicles significantly increased by 49.7% year on year. The Group has concluded various big deals, such as the manufacturing and sales of 350 electric carrier vehicles, 55 community buses for Zhejiang Wenzhou, 288 lithium-ion cruisers for the National Health and Family Planning Commission and 90 tour buses for the international flower festival, all showing the outstanding quality of the Group's products and forming a good demonstrating effect in its market expansion. Meanwhile, in response to market demand, the Group successively launched various new products, including the M series gasoline car, M100 sanitation truck, M100 fire fighting truck and M200, which have been widely recognized by the market. In addition, the Group also expanded its product portfolio by developing sharing sightseeing vehicles and intelligent driving sightseeing vehicles. The latter was launched into the market and has been well received in Ningbo resort area and Chun'an, Hangzhou.

CHAIRMAN'S STATEMENT

Developing the Fundamental into a Strong Resource and Seeking for Co-development of Each Production Base

In recent years, the Group has insisted on the co-development of the headquarter in Liuzhou and production bases in Guilin, Qingdao, Chongqing and Guiyang to drive the business growth and realize the operating target of the Group. Currently, as an important production base influencing the components and parts market in Southwest China, Chongqing has implemented the "going out" strategy and entered into corporation with various enterprises, such as the Great Wall Motors, Dongfeng Sokon and Chang'an Kuayue, to expand its businesses, in addition to undertaking major customer business. Shandong base has made resource integration to improve production efficiency and succeeded in the upgrade and development of 4 vehicle models, covering 24 products, incompliance with the national 6 emission standards. The production capacity of Guiyang base has also ramped up, in addition to the competition of localization. Meanwhile, taking the opportunities from the "Belt and Road" initiative, the Group completed the construction of the production base in Indonesia, following the operation of which, Liuzhou Wuling (India) Motors Company Limited also commenced official operation in April 2019. The production base in India has two workshops for welding and plastic injection respectively, capable of producing and assembling 9 welding products including the lower body, front beam, side wall and front floor, and 22 plastic injection and fitting products including the front bumper and rear bumper, With a total capacity of 100,000 sets/units, it has driven the international expansion of the Group's business.

Our Plan for 2020

At the beginning of 2020, affected by the outbreak of novel coronavirus disease (COVID-19) in Wuhan and the postpone of work and production resumption in many regions after the Chinese New Year, the central government continues to make corresponding policies and arrangement on the automobile industry. In particular, General Secretary Xi Jinping points out the necessity to stabilize the traditional commodity consumption like autos and encourages to increase the auto license quota in purchasing restricting areas in order to boost the consumption of autos and related products. The reiteration of the measure is expected to generate positive effects on the automobile industry. In view of the new favorable policies and market demand, the Group will continue to focus on the key theme of steady growth, develop its business in line with the requirement of "increasing income, reducing cost, improving efficiency and stabilizing investment", accelerated the upgrade of product and intelligent manufacturing in response to the market, develop new driving forces and facilitate the development of the Group in a stable, healthy and quality manner. Our plan and measures for 2020 are as follows:

Stabilizing Business Scale and Further Exploring the Market for Higher Profit

In respect of the components and parts business, the Group will continue to maintain the major customer market, and keep contact with the Great Wall, Geely, SAIC MOTOR, BYD, GAC MOTOR and other independent brand market to expand its business coverage. In respect of the car assembly business, the Group will continue to explore the market potential and further expand its new energy vehicles, off-road vehicle and refitted vehicles into the domestic and overseas market. In respect of the engine business, the Group will further facilitate technology innovation, improve brand strength and boost income by taking the chance of the national 6 emission standards and relying on the outstanding competitive edge of the 3-in-1 engine systems.

Deepening Refined Management, Improving Quality and Efficiency and Reducing Cost

The Group will continue to advocate cost consciousness in the enterprise through the intensive measures of "Three Containments" and conduct comprehensive budget management to effectively control operating cost by allocating cost control responsibilities to respective areas and personnel, while adhering to the target of organization restructuring, optimizing human resources utilization, aligning the interests of the employees with the Group an optimizing labor cost. Besides, the Group will perform BPD system and keep following the implementation thereof to enhance corporate performance management, improve operating quality and reduce the cost of management.

Making Reasonable Use of Resources and Being flexible in Project Investment

Flexibility is extremely important in response to the constantly changing market conditions. Firstly, an enterprise must make careful research and scientific appraisal before investing in a project. For example, the new energy commercial vehicle project is in line with the trend of the market, therefore, it is suitable for the Group's investment; secondly, an enterprise must make business review in a due time in order to strengthen and expand its investment business, such as aligning and integrating the management mode and technological advantage of Faurecia, AAM and other internationally known enterprises with its business development. Lastly, an enterprise must also seize opportunities to further speed up its reformation, integrate both internal and external resources, utilize the advantages in components and parts resources and industrial manufacturing, consolidate existing engines and components and parts business and develop new businesses to promote the healthy and sustainable development of the enterprise.

The global outbreak of the coronavirus (COVID-19) early this year would inevitably adversely affect the business performance of the enterprises causing pessimistic sentiment among people in the year ahead. Facing this tough business environment, the Group will continue to diligently stick to Wuling's "entrepreneurship and persistence", focus on its principal activities and continuously expand new businesses to promote the transformation and upgrade of the companies of the Group. We believe that with the continuous support and attention from Guangxi Automobile as the major shareholder, clients and business partners, the Group will continue to focus on the principal activities, further implement refined management and promote the quality development of the Group and continue to provide outstanding reward to each of our shareholders and employees.

YUAN Zhijun
Chairman
26 May 2020

REPORT OF THE CEO

To Transform Challenges into Opportunities through Effective Business Strategies

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

REPORT OF THE CEO

RESULTS AND PERFORMANCES

I am pleased to present the audited results of Wuling Motors Holdings Limited (the "**Company**" and together with its subsidiaries the "**Group**" or "**Wuling Motors**") for the year ended 31 December 2019.

The year of 2019 was tough and full of challenges. The tough environment caused by the increasing complexity of the world economy, a declining growth rate of the domestic market and a significant slowdown of the demand in our industry, gave rise to a general pessimistic sentiment in the market had adversely affected the business performance of the Group during the year.

Nevertheless, the pliable and valuable experiences amassed by the Group from both favourable and adverse conditions in the automobile industry continued to guide us forward and bestow upon our people the conscientious and hardheaded attitude in pursuing the long term business goals of the Group under this unconventional tough and challenging environment.

Adhering to our operating policies of "Pursuing Growth Amid Stability and Progress with Determined Goals", we have been dedicated to taking our management measures to the next level aiming at making breakthroughs in development, and continuously promoting our core businesses of engines and related parts, automotive components and specialized vehicles to their respective business frontiers of each segment. For the year ended 31 December 2019, despite a recovery of the business in the engines and related parts division and the continuous strong demands for our products of the specialized vehicles division, as a result of the substantial reduction in the volume of businesses of the automotive components and other industrial services division, total revenue of the Group was RMB14,237,305,000, representing a decrease of 5.8% as compared to previous year.

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 selling and distribution costs and the general and administrative expenses which were mainly attributable to the transfer of certain marketing and administrative functions 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 impairment losses of RMB187,636,000 made against the property, plant and equipment of the engines and related parts division and the automotive components and other industrial service division, as well as the share of losses from the joint ventures and associates as affected by the general unfavourable market condition of the automobile industry resulted in a significant net loss of the Group which amounted to RMB166,615,000 during the year ended 31 December 2019. Net loss of the Group had also taken into account of an income tax credit of

RMB15,279,000 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 RMB43,359,000 in total.

Due to the bearing of the abovementioned impairment losses and the related effective interest expenses and the foreign exchange loss incurred by the Company for the convertible loan notes, the Company recorded a loss attributable to the owners of the Company of RMB124,026,000 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 RMB6.05 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.

OPPORTUNITIES AND CHALLENGES

Aside from the unfavourable factors happened on the global level that were out of the control of the Group, the economic environment in China confronted with series of tough challenges arising from both internal and external since last year. Indeed, after a relatively prolonged period of swift and extensive growth in different segments in the economy, when the economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries.

As affected by the pessimistic sentiment arising from the market uncertainty and the general slowdown in the economy, in 2018, the PRC automobile industry experienced the first decline in the total annual sale volume in a decade, and such unfavourable situation lingered in 2019 in which the total number of motor vehicles sold in the PRC decreased by 8.2% as compared to 2018.

Notwithstanding the unfavourable market environment, during the year under review, in cooperation with customers and business partners, new products were continuously developed and launched in response to the dynamic market environment. We confidently expect some of which would become the next growth drivers of revenue of the Group in the years ahead. In addition, requisite enhancement and upgrading projects were continued to provide the required fundamental platforms for furthering our business potential and development strategies. Completion of these enhanced facilities empowered by the essential elements of automation and intelligent manufacturing systems would necessarily ensure our competitive strength in the market for future business development and other transformation projects.

In view of the overall slowdown in the growth of the passenger vehicle segment following consecutive years of impressive expansion, to maintain the growth of business volume, the Group had proactively adjusted our marketing strategy in expanding our car assembly business, i.e. the specialized vehicles division. In response to the solid market demand of our products which themselves having long and established standing in their respective niche market, the Group actively promoted different types of existing and new models through various marketing campaigns. The total sales volume of specialized vehicles in the year of 2019 amounted to approximately 116,000 vehicles, representing a year-on-year increase of approximately 5.3%, while sales of redecorated vehicles (for goods and for passengers) reached an impressive 111,700 vehicles, representing a year-on-year increase of 6.4%. Sale of mini-redecorated vehicles continued to rank as one of the leading manufacturers in this market segment.

In addition, in response to national policies regarding environmental protection and new energy (for instance, (i) China is a signing member to the Paris Agreement, an agreement which were entered into by various countries aiming to contain the global warming issue to the environment; and (ii) according to the Notice Relating to Emerging Sectors of National Strategic Importance for the "**13th Five-Year Plan**" (《「十三五」國家戰略性新興產業發展規劃的通知》) issued by the State Council (國務院) of the PRC, it has been the PRC's national strategy to promote new energy and new energy vehicles and to substantially increase the proportion of application of new energy as well as new energy vehicles during the "13th Five-Year Plan" through the implementation of various subsidized and non-subsidized measures and policies), the Group considers that new energy vehicles will enjoy a good momentum in terms of market acceptance and sales. Accordingly, the Group has been allocating resources to develop environmental transportation in compliance with the national policies. The Group has been actively engaged in the development and sales of new energy vehicles, and has initiated various projects for mainstream applications of new energy, including research on electric sightseeing vehicles, smart driving products and the development of electric logistics vehicles.

During the year ended 31 December 2019, a total of approximately 2,000 electric vehicles, comprising electric logistics vehicles and electric sightseeing vehicles were sold, representing a year-on-year increase of approximately 11.1%. Meanwhile, the Group initiated various projects for mainstream applications of new energy, including research on electric sightseeing vehicles, smart driving products and the development of electric logistics vehicles.

The Group, through its principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("**Wuling Industrial**") actively explored potential collaboration with various manufacturing powerhouses at home and abroad for its automotive component business with a view to improving its manufacturing capacity with advanced technologies imported from the international market. Following the establishment of two joint venture enterprises with the renowned Faurecia Group in 2017, namely Faurecia (Liuzhou) Automotive Seating Co., Ltd and Faurecia (Liuzhou) Automotive Interior System Co., Limited for pursuing the car seat and the automotive interior parts and accessories products businesses respectively, in October 2018, Wuling Industrial and Faurecia further strengthened their collaboration by entering into the third joint venture agreement for the establishment of a new joint venture company to pursue the business of automotive emissions control system products and related parts and components in China. These collaborations aiming at extensively integrated market resources and technical capabilities of both parties to facilitate the transformation and upgrade of the Group's related products to the existing and potential customers have swiftly commenced scale operations by supplying products to the targeted customers since their establishment.

Meanwhile, to enable faster improvement in the processing technique of vehicle axles products to meet the requirements of medium-end and high end passenger vehicles, In April 2018, Wuling Industrial entered into a joint venture agreement with American Axle & Manufacturing, Inc. (美國車橋製造國際有限公司) with respect to the joint establishment of Liuzhou AAM Automotive Transmission System Co., Ltd. (柳州美橋汽車傳動系統有限公司) as a platform to cooperate on and operate vertical rear axles, transmission axles and other business, furthering the technology development of vehicle axle products, which joint venture enterprise has been formally established in July 2018. Initial operation was then commenced following the completion of the highly-automated "Smart Factory" under the third phase development of the Liudong Facilities in November 2018 which was designated for Liuzhou AAM Automotive Transmission System Co., Ltd.

Due to the prevailing unfavourable business environment, business performance of the abovementioned joint ventures were adversely affected by either registering operating losses or experiencing certain extents of delays in achieving scale operations during the year ended 31 December 2019. Nevertheless, the Group is confident that cooperation with leading international enterprises will enable faster improvement in processing techniques of the Group's various components. By virtue of our practical and local experience in operations and product upgrade plans of our existing customers, the Group will achieve complementary results with respect to exploring medium-end and high-end products of new customers. The management anticipates that the above joint ventures will, in terms of automotive components, operate as an enterprise with leading technologies and competitive edges in southwestern China.

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

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

As disclosed in the 2019 Annual Report, as at 31 December 2019, the Group's net assets amounted to RMB2,305,323,000 which was decreased as compared to the Group's net assets of RMB2,478,849,000 as recorded at 31 December 2018. Meanwhile, net assets attributable to the owners of the Company amounted to RMB1,310,604,000 as at 31 December 2019, indicating a decrease comparing to the comparative figures of RMB1,443,639,000 as recorded at 31 December 2018. The decrease in the Group's net assets and the net assets attributable to the owners of the Company were primarily attributable to the impairment losses made against the Group's property, plant and equipment during the year having considered the loss making situation of the engines and related parts division and the operations in Indonesia and the slowdown of business volume of the automotive components and other industrial services division in the PRC as affected by the current unfavourable market conditions of the automobile industry. Resulting from an increase in the long term bank and other borrowings and despite the transfer of the Convertible Loan Notes from non-current liabilities to current liabilities according to the maturity date, at 31 December 2019 the Group's net current liabilities amounted to RMB1,304,476,000, representing a decrease of approximately 15.5% as compared to the Group's net current liabilities of RMB1,543,517,000 as recorded at 31 December 2018. Meanwhile, 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 72.7%, which showed a significant increase as compared to the gearing ratio of approximately 30.7% as recorded at 31 December 2018.

In view of the unfavourable business environment, the Group has been cautiously implementing 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 unfavourable market environment. Nevertheless, the Group will continue to closely monitor the financial position of the Group, as well as the business environment and the financial market from time to time in order to arrive at an appropriate financial strategy for the Group.

Notwithstanding the unfavourable market conditions and challenges in recent years, the Group is full of confidence in the long term growth potential of the automobile industry in the PRC. To cope with the challenges as well as to grasp the opportunities in the automobile industry, the Group has been conscientiously undertaken the following strategies and programs:

(a) re-engineering of its product structure in response to the market needs and for the purpose of securing continued growth of the automobile manufacturing business. On one hand, the Group will continue to pursue steady growth in the business of engines, automotive parts and components for the passenger vehicles segment under the automotive components and other industrial services division; on the other hand, as mentioned above, the Group has expanded its car assembly business, i.e. the specialized vehicles division, and it has been actively engaged in the development and sales of new energy vehicles;

(b) identifying opportunities for the purpose of optimizing positioning and scale operation of the production facilities of the Group's principal products in different geographical locations for both local and overseas, and streamlining and restructuring the operation of the Group's various key business segments, including the collaborations with the joint venture and business partners, for the purpose of increasing production efficiency and controlling costs;

(c) aiming at the construction of a network of advance and highly automated production facilities located in different regions across the PRC, to establish an intelligent production system to pave the way for the upcoming development of intelligent manufacturing through the adoption of innovative industrialization programmes (such as "Internet +" and "Industry 4.0") and the undertaking of the automation exercises for the established facilities and the newly setup facilities;

(d) enhancing of the efficiency and effectiveness in operation and management decision making processes through implementation of the lean management system and the benchmarking exercises with the proven global manufacturing systems of the renowned key customers and business partners; and

(e) building of an effective management team and workforce through active investment in the human resources with the appropriate human resources policies.

OUTLOOK

The Group envisages business environment in China to be highly competitive and challenging in this year and the years ahead. Pessimistic sentiment arising from the slowdown of the global and regional economy coupled with the unstable global economic prospect attributable to the erratic upheavals of international conflicts and the outbreak of the COVID-19 since early 2020 would continue to exert negative effect on the automobile industry and the overall business environment. Meanwhile, keen competitive business environment will force the automobile enterprises in formulating appropriate business and market strategies responding to the dynamic market situation and unconventional risky business exposures.

However, being the world largest automobile market, the Group is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run. Despite the challenges and difficulties faced under the current market environment, the Group expects the China economy will continue to grow steadily. Rising household income and the increasing awareness of the general public towards environmental and community issues attributable to the sustainability of the economy and the society will necessarily encourage demands for motor vehicles, as a salient means of transport and an important part of lifestyle and provide promising business opportunities to the Group.

Last but not the least, the Group is also aware of the recent outbreak of the COVID-19 and the associated negative impacts on the operation and business of the Group. Given the high uncertainties relating to the epidemic coronavirus at the moment, it is difficult to predict the extent to which the Group's operation and business may be affected. Nevertheless, the Group has carried out necessary steps for the purpose of lessening such negative impacts on its operation and business, for example the implementation of additional health and safety policies and procedures before 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. The Directors and the Group's management will continue to closely monitor the situation and take further actions if then considered necessary.

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

LEE Shing
Vice Chairman & Chief Executive Officer
26 May 2020

OPERATION REVIEW

MAIN BUSINESS SEGMENT

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 RMB156,282,000 was recorded during the year due to the lower gross profit margin and the impairment losses of RMB112,000,000 made against the division's property, plant and equipment. Severe pricing pressure from the main customer, additional costs incurred in the launches of new products and the uncertainty associated with the global outbreak of the COVID-19 had caused the division to be more prudent in projecting a significant improvement in the profitability within a short period of time. The negative impact on the profitability performance was further aggravated by other 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.

OPERATION REVIEW

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.

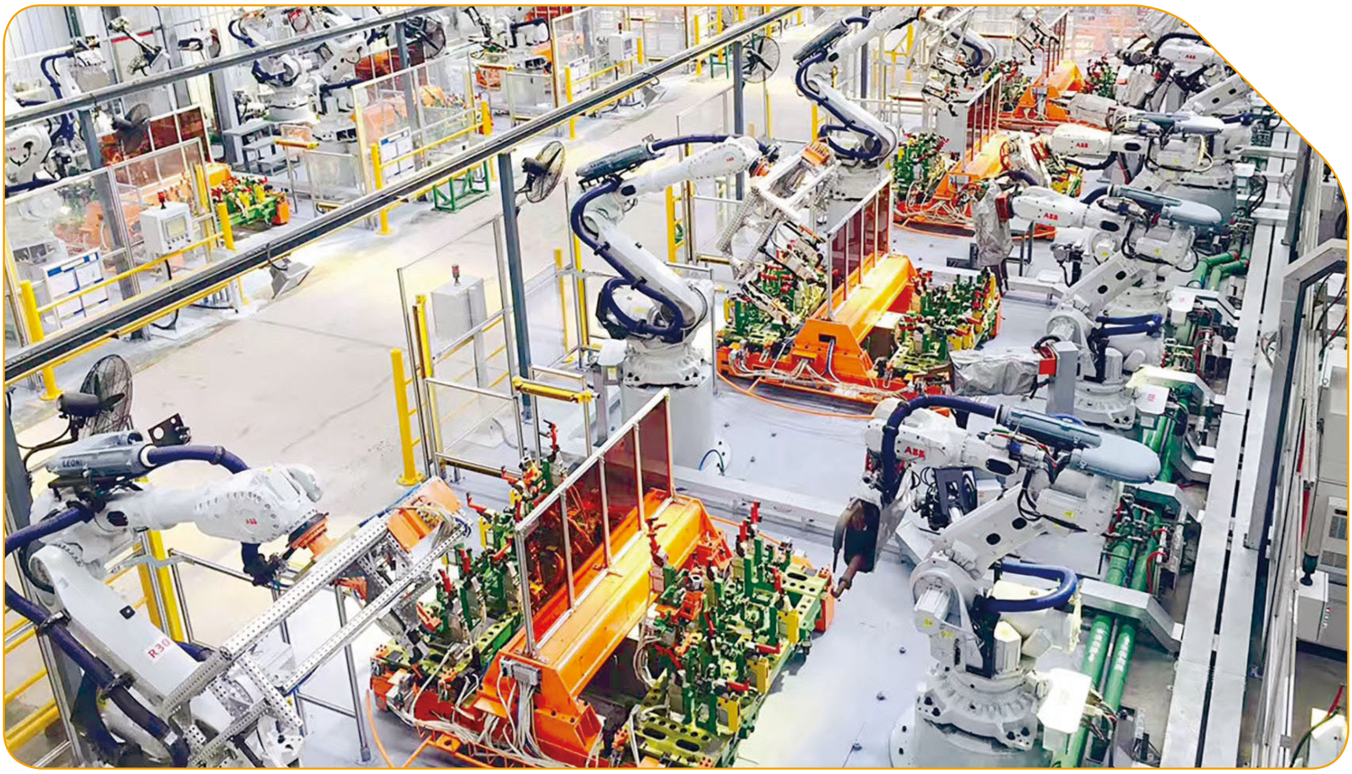
Besides, Wuling Liuji has also undertaken projects for the continuous enhancement of the NP18 model and for the development of a new model namely, NPT20 (Capacity 2.0L) in serving the specific needs of the customers of the passenger vehicles segment. The Group considers that completion of the new highly-automated 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.

MAIN BUSINESS SEGMENT

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. Taking into account of the impairment losses of RMB75,636,000 made against the division's property, plant and equipment due to a general slowdown of the business volume in the PRC and the continuous loss making situation of the operation in Indonesia, operating profits for the year was RMB48,068,000, representing a significant decrease of 66.4% 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 Principal Joint Ventures and Associated Companies" 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 tumbled to 0.7% as compared to previous year primarily due to the specific impairment losses as described below. In view of the continuous loss making situation in Indonesia, an impairment loss of RMB24,248,000 was made against the plant and equipment during the year, whereas, impairment losses of RMB51,388,000 was made against the property, plant and equipment in the PRC having considered the continuous slowdown of the automobile industry in China as a result of the uncertain business environment. Meanwhile, 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 continued to affect the profitability performance of the division. 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.

OPERATION REVIEW

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.

MAIN BUSINESS SEGMENT

SPECIALIZED VEHICLES

(INCLUDING NEW ENERGY 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.

OPERATION REVIEW

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

OPERATION REVIEW

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.

OPERATION REVIEW

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 RMB424,757,000, 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 selling and distribution costs and the general and administrative expenses which were mainly attributable to the transfer of certain marketing and administrative functions 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 impairment losses of RMB187,636,000 made against the property, plant and equipment of the engines and related parts division and the automotive components and other industrial services division, together with the share of losses from the joint ventures and associates as affected by the general unfavourable market condition of the automobile industry, and the impairment losses made against the long overdue trade receivables, resulted in a significant net loss to the Group which amounted to RMB166,615,000 during the year ended 31 December 2019. The net loss 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 RMB43,359,000 in total.

Due to the bearing of the abovementioned impairment losses and the related effective interest expenses and the foreign exchange loss incurred by the Company for the convertible loan notes, the Company recorded a loss attributable to the owners of the Company of RMB124,026,000 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 RMB6.05 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.

FINANCIAL REVIEW

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 RMB201,030,000 for the year ended 31 December 2019, which comprised primarily the impairment losses of RMB187,636,000 made against the Group's property, plant and equipment of the engines and related parts division and the automotive components and other industrial services division; 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), 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 RMB772,983,000 for the year ended 31 December 2019, representing a decrease of 11.4% 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 RMB147,201,000, representing an increase of 10.6% 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 RMB15,692,556,000 and RMB13,387,233,000 respectively.

Non-current assets amounted to RMB4,439,237,000 comprised mainly property, plant and equipment, right-of-use assets, interests in joint ventures and associates, etc., which were decreased as compared to previous year primarily due to the impairment losses of RMB187,636,000 made against the Group's property, plant and equipment of the engines and related parts division and the automotive components and other industrial services division, notwithstanding the capital expenditures incurred in this year in relation to the acquisition of plant, machinery and equipment 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 RMB3,230,076,000), 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 RMB12,557,795,000, comprised mainly trade and other payables of RMB7,496,721,000, contract liabilities of RMB466,341,000, lease liabilities of RMB38,317,000 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 RMB3,230,076,000 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 RMB1,304,476,000 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 RMB829,438,000 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 RMB18,748,000, contract liabilities of RMB12,406,000, 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 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 RMB780,234,000 were drawn from Guangxi Automobile. The corresponding bill receivables discounted with recourse to these advances amounting to RMB3,230,076,000 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 72.7%, 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

FINANCIAL REVIEW

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 annual report 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 RMB1,310,604,000 as at 31 December 2019. Net asset value per share was approximately RMB63.9 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.

PLEDGE OF ASSETS

At 31 December 2019, an investment property held by the Group in Hong Kong with an aggregate value of RMB5,511,000 was pledged to secure the bank loans granted to Group. Besides, bank deposits and bills receivables amounting to RMB678,374,000 and RMB5,900,000 respectively were pledged to the banks mainly to secure certain banking facilities offered to the Group. The Group also discounted certain bills receivables during the year ended 31 December 2019 for financing its operations. As at 31 December 2019, the aggregate amount of outstanding discounted bills receivables at fair value through comprehensive income was RMB3,230,076,000.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

At 31 December 2019, the Group maintained Hong Kong dollar convertible loan notes, Hong Kong dollar and United States dollar bank loans and trade and other payables equivalent to an aggregate amount of RMB973,276,000 and Hong Kong dollar and United States dollar bank deposits and trade and other receivables equivalent to an aggregate amount of RMB3,096,000 in which appropriate forward contract had been entered into by the Group to hedge against the currency risk of the United States dollar bank loan amounting to US$105,000,000 (equivalent to RMB732,501,000). In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be reasonable and would monitor the foreign exchange exposures of the Group as well as the prevailing market condition in arriving at appropriate strategy.

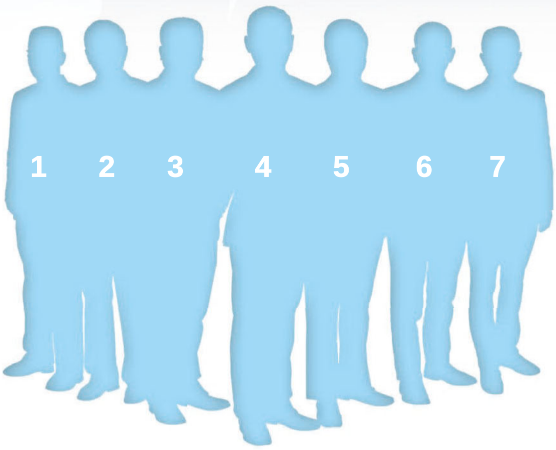
COMMITMENTS

At 31 December 2019, the Group has outstanding commitments, contracted but not provided for in the financial statement, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB273,337,000.

CONTINGENT LIABILITIES

At 31 December 2019, the Group did not have any contingent liabilities.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES



1 Mr. MI Jianguo
2 Mr. WANG Yuben
3 Mr. YANG Jianyong
4 Mr. YUAN Zhijun
5 Mr. LEE Shing
6 Mr. YE Xiang
7 Mr. WANG Zhengtong

BOARD OF DIRECTORS

Mr. YUAN Zhijun
Chairman

YUAN Zhijun

Mr. Yuan Zhijun, aged 53, Chairman of the Board and the Nomination Committee, was appointed as Executive Director on 4 November 2016. Mr. Yuan graduated from the Huazhong University of Science and Technology in China with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan holds directorships of a number of subsidiaries and member companies of the Group. He is currently a director and the chief executive of our principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited* (柳州五菱汽車工業有限公司) ("**Wuling Industrial**"), a joint-venture enterprise owned by the Company and Guangxi Automobile Holdings Limited* (廣西汽車集團有限公司) ("**Guangxi Automobile**") — the ultimate holding company of the Company. Mr. Yuan is also currently the vice chairman of the board of directors and chief executive of Guangxi Automobile. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited respectively the immediate holding company and the intermediate holding company of the Company. Since his joining to the group of Guangxi Automobile in 1987, Mr. Yuan has held various positions within the group of Guangxi Automobile and has over 30 years' of extensive experience in the production, product design and development, human resources and corporate management of the automobile industry. Mr. Yuan has also served in a number of senior positions of SAIC-GM-Wuling Automobile Co. Limited ("**SGMW**") since February 2003. He is currently a director of SGMW, which is a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Company Limited and Guangxi Automobile and is currently a major customer of the Group's businesses in engines and automotive components.

* *For identification purpose only*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

Mr. YANG Jianyong
Executive Director

LEE Shing

Mr. Lee, aged 62, Vice-chairman of the Board and Chief Executive Officer, was appointed as Executive Director on 22 June 2006 and is currently a member of the Nomination Committee. Mr. Lee has extensive experience in the trading and manufacturing business in Hong Kong and the PRC. Mr. Lee holds directorships of a number of subsidiaries of the Group. He is currently the vice chairman of Wuling Industrial, and a director of Wuling Liuji, a subsidiary of Wuling Industrial. Besides, he is currently a member of the Committee of the Chinese People's Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is also the sole shareholder and sole director of Dragon Hill Development Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 11.60% of the total issued share capital of the Company. Besides, Mr. Lee is also currently a director of Lincoln Gold Mining Inc., which is a company dual listed on the TSX Venture Exchange in Toronto, Canada, and the Frankfurt Stock Exchange in Germany.

YANG Jianyong

Mr. Yang, aged 52, was appointed as Executive Director on 4 November 2016. Mr. Yang holds directorships of a number of subsidiaries and member companies of the Group. Mr. Yang graduated with an accounting degree from the Faculty of Accounting in the Central South University in China and also holds a master degree in Accountancy from The Chinese University of Hong Kong. Mr. Yang is currently a director of Wuling Industrial. Mr. Yang is also the vice president of Guangxi Automobile in charge of the finance, legal departments and supervisory board. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively the immediate holding company and the intermediate holding company of the Company. Besides, Mr. Yang is also the chairman of the board of directors of Guangxi Yuan Heng Investment Co. Limited* (廣西元恒投資有限公司). Mr. Yang joined the group of Guangxi Automobile in 1989 and has about 30 years' of extensive experience in the finance, accounting, legal and corporate financial system institutionalization aspects of the automobile industry. Mr. Yang also served in the senior position of the finance department of SGMW from December 2003 to April 2009, and has been the supervisor of SGMW since July 2016.

* *For identification purpose only*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. WANG Zhengtong
Executive Director

Mr. YE Xiang
Independent Non-executive Director

Mr WANG Zhengtong

Mr. Wang, aged 48, was appointed as Executive Director on 28 February 2019. Mr. Wang is currently the assistant to the chief executive and the controller of the investment and development department of Guangxi Automobile, the ultimate holding company of the Company, supervising the planning and investment of the projects of the Group, and a director of Wuling Industrial, our principal subsidiary. Mr. Wang is also currently a director of Shanghai Yipu Automatic Equipment Co., Ltd* (上海詣譜自動化裝備有限公司), a non-wholly-owned subsidiary of Guangxi Automobile. Mr. Wang holds a bachelor's degree in industrial science from Hunan University, PRC. Mr. Wang joined Guangxi Automobile Group in 1996 and acted as the senior executive of the planning department and the investment development department. During the years 2012 to 2014, Mr. Wang worked for another state-controlled enterprise in Guangxi and acted as the senior executive of the Hong Kong office of the international marketing department. Mr. Wang rejoined Guangxi Automobile in June 2014 as the controller of the planning and investment department. Mr. Wang has extensive experiences in the automotive industry in the aspects of planning and investment, international marketing, asset management and technical re-engineering.

* *For identification purpose only*

YE Xiang

Mr. Ye, aged 56, was appointed as Independent Non-executive Director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited ("**Vision Gain**"), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 20 years' of experience in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his founding of Vision Gain, Mr. Ye was the director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye is currently the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. WANG Yuben
Independent Non-executive Director

Mr. MI Jianguo
Independent Non-executive Director

WANG Yuben

Mr. Wang, aged 64, was appointed as an Independent Non-executive Director on 20 March 2015. Mr. Wang obtained a doctorate degree in economic law from the school of law of the Renmin University of China. He is currently an arbitrator of Beijing Arbitration Commission and the executive officer of the research centre of direct marketing of the Peking University. Mr. Wang has more than 35 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Mr. Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

MI Jianguo

Mr. Mi, aged 69, was appointed as an Independent Non-executive Director on 1 September 2017. Mr. Mi is a Ph.D. in Economics, has engaged in the fields of education and research in the PRC for more than 30 years. Mr. Mi served as a teacher at the Hebei University (河北大學) from August 1982 to December 1990. From December 1990 to February 2012, he served as a researcher, vice minister and minister of the macro-research department, and the manager of the information center at the Development Research Center of the State Council in the PRC (國務院發展研究中心). He was also the chairman of the board of the State Research Information Technology Co., Ltd (國研信息科技有限公司) and the president of magazine "Economic Participation" (經濟要參雜誌社). Mr. Mi was also rewarded a qualified certificate of Senior Management of Insurance institutions from The China Insurance Regulatory Commission. Mr. Mi is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

SENIOR MANAGEMENT

Mr. WEI Hongwen

Mr. Wei, aged 57, served as Executive Director from 10 September 2007 to 4 November 2016 and as the Chairman of the Board and a member of the Nomination Committee (redesignated as chairman from 20 March 2015) from 31 October 2014 to 4 November 2016. Mr. Wei is currently the chairman of the board of directors of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wei is also the chairman of the board of director of Wuling Industrial, a principal subsidiary of the Company. Mr. Wei obtained a master degree in economics from Sun Yat-Sen University in 1995 and is a professor level senior engineer. Mr. Wei has more than 30 years' of experience in the automobile manufacturing industry. Mr. Wei is also the vice chairman of SGMW.

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 55, currently Chief Financial Officer and Company Secretary of the Company, is responsible for overseeing our finance, accounting and company secretarial functions. He is also a director of Wuling Industrial, our principal subsidiary. Mr. Lai has more than 30 years' of experience in finance, accounting and business management. Mr. Lai graduated from the University of Hong Kong and the Hong Kong Baptist University and holds a Bachelor of Arts degree and a Master of Science degree in Corporate Governance and Directorship respectively. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants.

Mr. WEN Daizhi

Mr. Wen, aged 56, is currently the chief engineer of Wuling Industrial, our principal subsidiary. He is also the chairman of the board of directors of Wuling Liuji, a subsidiary of Wuling Industrial and the vice president and chief engineer of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wen graduated from the Engineering Thermophysics Department of Tianjin University majoring in internal combustion engine and possessed a postgraduate qualification in Power Machinery and Engineering of Guangxi University. He is a professor level senior engineer. Mr. Wen has over 30 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. WANG Xu

Mr. Wang, aged 50, is currently the deputy party secretary, chairman of the labour union and the supervisor of Wuling Industrial, our principal subsidiary, who is responsible for overseeing the human resources functions of the Group. He is also currently the staff-nominated director, deputy party secretary and chairman of the labour union of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wang graduated from Hubei University of Technology in mechanical and electrical engineering. He also holds a master degree in engineering from Wuhan University of Technology. His profession is senior engineer. Mr. Wang has been engaged in the automobile industry in China since his joining to Guangxi Automobile Group in 1994. Mr. Wang has over 30 years' of extensive experience in the technical, quality control and business management of the automobile industry.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. CHEN Xiaofeng

Mr. Chen, aged 45, is currently the deputy general manager of Wuling Industrial, our principal subsidiary. Mr. Chen is also the deputy vice president of Guangxi Automobile, the ultimate holding company of the Company. Mr. Chen graduated from the College of Material Science and Engineering of Chongqing University. He obtained a master degree in Public Administration from Wuhan University of Science and Technology, his profession is engineer. Mr. Chen has been engaged in the automobile industry in China since his joining to Guangxi Automobile Group in 1997. He has over 20 years' of extensive experience in the production operation, sales, purchasing and supply chain management of the car assembly and automotive components industry.

Mr. LI Weimin

Mr. Li, aged 57, is currently the deputy general manager and also the senior controller of the operation and information department of Wuling Industrial, our principal subsidiary. Besides, Mr. Li is also currently the vice chairman of the board of directors of Guangxi Weixiang Machinery Company Limited* (廣西威翔機械有限公司), a joint venture of Wuling Industrial, he is also the chairman of the board of directors of Hong Kong Zhuoyuan Investment Limited and Hong Kong Zhuo Qiang Investment Limited, both of them subsidiaries of Wuling Industrial. Mr. Li graduated from Nanchang Hangkong University majoring in forging processes and equipment and possessed a post graduate qualification in Business Administration of Asia International Open University (Macao). His profession is senior engineer. Mr. Li has over 30 years' of extensive experience in the production management and quality control of the automotive components industry.

Mr. LI Huanyu

Mr. Li, aged 57, is currently the deputy general manager of Wuling Industrial, our principal subsidiary and a director and the general manager of Wuling Liuji, a subsidiary of Wuling Industrial. Mr. Li graduated from Wuhan College of Engineering majoring in agricultural machinery and is also a post-graduate student of the Department of Mechanical Manufacturing and Automation of Guangxi University. His profession is senior engineer. Mr. Li has over 30 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

Mr. WEI Mingfeng

Mr. Wei aged 45, is currently a deputy general manager of Wuling Industrial, our principal subsidiary and the assistant to the chief executive of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wei graduated from Tianjin University majoring in Chemical Mechanical Engineering and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is an engineer. Mr. Wei has over 22 years' of extensive experience in business operations, production management and quality control of the automotive components industry.

* *For identification purpose only*

Mr. LIU Yourong

Mr. Liu, aged 48, is currently the deputy general manager and chief financial officer of Wuling Industrial, our principal subsidiary. Mr. Liu graduated from China University of Mining majoring in Accounting and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is senior accountant. Mr Liu has over 24 years' of extensive experience in cost management and institutionalization of the financial system.

Mr. ZHAN Qiangmin

Mr. Zhan, aged 49, is currently the deputy general manager and assistant to general manager of Wuling Industrial, our principal subsidiary. Mr. Zhan graduated from Department of Mechanical Manufacturing and Technology of Guangxi University, and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is engineer. Mr. Zhan has over 25 years' of extensive experience in the production management, quality control and efficiency of the automotive components industry.

CORPORATE GOVERNANCE REPORT

The board of directors ("**Board**") of the Company is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2019.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

The Company has currently applied the Principles and reviewed regularly its corporate governance practices to ensure compliance with the CG Code. During the financial year ended 31 December 2019, the Company confirmed that it has fully complied with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

THE BOARD

Responsibilities

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

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

The Board takes responsibility for all major decisions of the Group including the approval of all policy matters, the Group's business, strategies directions and financial performance, setting the Company's value and standards; formulating strategies; overseeing corporate governance; monitoring performance and other significant financial and operational decisions of the Group.

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

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

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

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

The Board has the full support of the Management to discharge its responsibilities and duties as required by the applicable rules and regulation in Bermuda and Hong Kong.

Composition

The nomination committee of the Company (the "**Nomination Committee**" or "**NC**") ensures the composition of the Board a balance of skills, experiences, knowledges, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current composition of four executive Directors and three independent non-executive Directors can effectively exercise independent judgment to the policies, strategies, business and development of the Company. The Directors during the year and up to the date of this report are:

Current Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Yang Jianyong
Mr. Wang Zhengtong (appointed on 28 February 2019)

Past Executive Directors

Mr. Zhong Xianhua (resigned on 28 February 2019)
Ms. Liu Yaling (retired on 14 June 2019)

Independent Non-Executive Directors

Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo

Mr. Yuan Zhijun and Mr. Yang Jianyong (who were appointed as executive Directors on 4 November 2016), Mr. Wang Zhengtong (who was appointed as executive Director on 28 February 2019) and Mr. Zhong Xianhua (who was appointed as executive Director on 4 January 2010 and resigned on 28 February 2019), were respectively nominated by 廣西汽車集團有限公司 (Guangxi Automobile Holdings Limited* "**Guangxi Automobile**"), the ultimate controlling Shareholder. Save for Mr. Zhong Xianhua who resigned on 28 February 2019 as Director and ceased to hold any position in Guangxi Automobile and/or its subsidiaries, all of the other executive Directors abovenamed are currently acting as directors and/or senior executives of Guangxi Automobile or its member group.

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

The Board has a balanced composition and strong independent element. The biographical details of all the current Directors are set out in the section headed "**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**" from pages 38 to 45 in this annual report and are available on the Company's website (www.wuling.com.hk), which demonstrate a diversity of skills, expertise, experience and qualifications of the composition of the Board.

The current composition of the Board is stated in the section headed "**CORPORATE INFORMATION**" in this annual report. The list of current Directors identifying their roles, functions and titles is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The Company also maintains on its website (www. wuling.com.hk) and on the Stock Exchange's website (www.hkexnews.hk) an updated list of current Directors (by category) identifying their role and function.

The Company has currently complied with Rules 3.10 and 3.10A of the Listing Rules that (i) the Board includes three independent non-executive Directors; (ii) one of the independent non-executive Directors has appropriate professional qualifications, accounting and related financial management expertise; and (iii) number of independent non-executive Directors represent more than one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence for the year ended 31 December 2019 pursuant to the Rule 3.13 of the Listing Rules, amended from time to time. The Board and the Nomination Committee has considered and agreed all independent non-executive Directors are independent during the year in accordance with the independence guidelines set out in the Rule 3.13 of the Listing Rules, as amended from time to time.

Appointment, Re-election and Resignation of Directors

NC has been set up by the Board and NC has established formal, considered and transparent policies, procedures and criteria for the appointment, re-election, resignation, re-designation, retirement, rotation and/or removal of the Director(s) in accordance with the Company's bye-laws, the Listing Rules and all applicable laws in Bermuda and Hong Kong.

Pursuant to the Company's bye-laws and/or the Code Provisions of the Listing Rules, at each annual general meeting of the Company not less than one-third of the Directors (including those appointed for a specific term) for the time being shall retire from the Board by rotation provided that each Director shall be subject to retirement by rotation at least once every three years at the conclusion of annual general meeting of the Company after he/she was last elected or reelected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director be appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

During the year ended 31 December 2019, due to his reaching to the age of retirement, Mr. Zhong Xianhua tendered his resignation as an executive Director of the Company with effect from 28 February 2019. Succeeding the resignation of Mr. Zhong Xianhua, Mr. Wang Zhengtong was appointed as an executive Director with effect on 28 February 2019.

At the 2019 annual general meeting of the Company held on 14 June 2019 (the "**2019 AGM**"), Mr. Yuan Zhijun and Ms. Liu Yaling, being executive Directors, and Mr. Wang Yuben, being independent non-executive Director, all retired from the Board by rotation. Mr. Yuan Zhijun and Mr. Wang Yuben were then re-elected as executive Director or independent non-executive Director respectively by the Shareholders at the 2019 AGM. Due to her other business commitment, Ms. Liu Yaling did not offer herself for re-election at the 2019 AGM, and therefore retired as Director at the conclusion of the 2019 AGM. Meanwhile, Mr. Wang Zhengtong, who was appointed by the Board as executive Director on 28 February 2019 to fill a casual vacancy, was required to retire from the Board in the 2019 AGM. Mr. Wang was then re-elected as executive Director by the Shareholders in 2019 AGM in accordance with the Company's bye-laws and the Listing Rules.

In accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules and the byelaw 99(B) of the Company, Mr. Lee Shing and Mr. Yang Jianyong, being executive Directors, Mr. Mi Jianguo, being independent non-executive Director, will retire from the Board by rotation at the conclusion of annual general meeting of the Company to be held on 30 June 2020 (the "**2020 AGM**") and all Messrs. Lee Shing, Yang Jianyong and Mi Jianguo, being eligible, offer themselves for re-election as Director by respective separate resolutions to be passed by the Shareholders at the 2020 AGM. Mr. Mi Jianguo has served as an independent non-executive Director for less than nine years in his further re-election as Director at the 2020 AGM. Mr. Mi Jianguo has made a written annual confirmation of independence for the year ended 31 December 2019 pursuant to Rule 3.13 of the Listing Rules, as amended from time to time. The Board and the Nomination Committee has also recommended the re-election of Mr. Lee Shing, Mr. Yang Jianyong and Mr. Mi Jianguo standing for re-election at the 2020 AGM.

Detailed information of Mr. Lee Shing, Mr. Yang Jianyong and Mr. Mi Jianguo standing for re-election at the 2020 AGM be stated in the Company's circular as per the Listing Rules will be dispatched to Shareholders with this annual report.

The Company has entered into service contracts with all current independent non-executive Directors, namely Messrs. Ye Xiang, Wang Yuben and Mi Jianguo, for a specific term of three years who are also required to retire from the Board by rotation and then re-election by the Shareholders at the annual general meeting of the Company in accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules. Apart from their appointments as independent non-executive Directors, none of them has any form of service contract with the Company or any of its subsidiaries.

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

The Nomination Committee is responsible for determining the policy for the nomination of Directors, reviewing the Board composition and diversity of the Board, developing and formulating the relevant procedures, processes and criteria for selection and recommendation of candidates for directorship, monitoring the re-appointment and succession planning of the Directors and assessing the independence of each independent non-executive Director, etc.

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

The Board adopted the policy for nomination of Directors (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) in accordance with the CG Code, amended from time to time.

Training for Directors

Each newly appointed Director should receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the group structure, Board procedures, business, management, operations, financial and values of the Company, as well as rules and regulations under the Company's bye-laws, the Securities and Futures Ordinance, the Listing Rules and relevant applicable regulatory requirements in Bermuda and Hong Kong.

An induction programme covering the abovementioned matters was therefore arranged for Mr. Wang Zhengtong, an executive Director, when he joined the Board in February 2019, that helped him fully aware of his responsibilities and obligations in the Company and under the Listing Rules.

During the year ended 31 December 2019, a half day training course conducted by a professional training firm which covered the updated Listing Rules and other relevant applicable regulatory and compliance requirements was arranged by the Company which were attended by all Directors and other senior executives of the Group. Besides, chief financial officer of the Company, who is also the company secretary of the Company ("**Company Secretary**"), and the Management keeps circulating articles, news and monthly reports, which are related to the Group's financial information, business, economy, market change, development of the Company as well as the change in rules and regulations, if any, to Directors namely, Mr. Yuan Zhijun, Mr. Lee Shing, Mr. Yang Jianyong, Mr. Wang Zhengtong (appointed on 28 February 2019), Mr. Ye Xiang, Mr. Wang Yuben, Mr. Mi Jianguo, Mr. Zhong Xianhua (resigned on 28 February 2019) and Ms. Liu Yaling (retired on 14 June 2019) from time to time to update, refresh and strengthen Directors' knowledge and skills. Furthermore, all Directors are also encouraged to attend other relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximate quarterly interval for reviewing and approving financial statements, operating performance of the core business and budgets of the Group, monitoring the progress of the various on-going projects, the overall strategies and policies of the Company. They meets more frequently, as and when required, to approve ordinary businesses of the Company, announcements and circulars issued by the Company, as well as other ad hoc projects.

The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities. During the year ended 31 December 2019, a total number of five (5) meetings (including four (4) regular meetings) of the Board, two (2) meetings of the Audit Committee, one (1) meeting of the Nomination Committee and one (1) meeting of the Remuneration Committee were held by the Company.

During the year, the Board has regularly reviewed the contributions from each Director and confirmed that they have spent sufficient time performing their duties and responsibilities to the Company. The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Remuneration Committee and Nomination Committee, as well as the 2019 AGM and special general meetings of the Company (the "**SGM**") held during the year ended 31 December 2019 are set out below:

Directors' Attendance Record

Name of Directors	Attendance record of Directors at the meetings in 2019					
	AGM	SGM	Board	AC	RC	NC
No. of meeting	1	3	5	2	1	1
Executive Directors						
Mr. Yuan Zhijun	1/1	0/3	5/5	NA	NA	1/1
Mr. Lee Shing	1/1	3/3	5/5	NA	NA	1/1
Mr. Yang Jianyong	0/1	0/3	5/5	NA	NA	NA
Mr. Wang Zhengtong[1]	0/1	0/3	5/5	NA	NA	NA
Mr. Zhong Xianhua[2]	NA	NA	NA	NA	NA	NA
Ms. Liu Yaling[3]	0/1	NA	2/2	NA	NA	NA
Independent Non-executive Directors						
Mr. Ye Xiang	1/1	3/3	5/5	2/2	1/1	1/1
Mr. Wang Yuben	0/1	0/3	5/5	2/2	1/1	1/1
Mr. Mi Jianguo	0/1	0/3	5/5	2/2	1/1	1/1

Notes:

1. Appointed on 28 February 2019
2. Resigned on 28 February 2019
3. Retired on 14 June 2019 at 2019 AGM

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting of the Board and each committee of the Board ("**Committee(s)**") are normally made available to Directors and Committees' members in advance. Notices and Agenda of regular Board meetings are served to all Directors at least 14 days before the meetings. Directors may include any of his/her concerns in the agenda. For other Board and the Committees meeting, reasonable notice is generally given to the Directors and members of each Committee.

Board and Committees papers together with all appropriate, complete and reliable information are sent to all Directors and Committees' members within a reasonable period of time in advance of the intended meeting or at least 3 days before each Board meeting and Committee meeting to keep the Directors and Committees' members studied and apprised of the current developments and/or financial position and/or other major issues of the Group and enable them to make informed decisions in the best interest of the Company and the Shareholders as a whole. All Directors have unrestricted access to the advice and services of the Company Secretary, who did and would ensure that the Board and Committees receive appropriate and timely information and that Board and Committees procedures, and all applicable rules and regulations in respect of the meeting, are being followed. The Board and each Director and Committees' member also have separate and independent access to the Management for making enquiries and to obtain further information of the Group when required.

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

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

The Management currently provide all Directors with monthly updated and detailed financial position, operation performance of the core business and prospects of the Group and the progress of the various on-going projects to enable them closely monitor the performance and operation of the Company.

The Company's bye-laws and the Listing Rules contain provisions require Directors to disclose their interest (if any) and abstain (if appropriate) from voting and not to be counted in the quorum at Board and/or Committees' meetings for approving transactions, arrangements and/or contracts in which such Directors or any of their associates have a material interest in the agreements and/or transactions and independent non-executive Directors would take lead when potential conflicts of interest arise. Independent Board Committee comprising all independent non-executive Directors did and would form and advise the independent Shareholders on those connected transactions and/or continuing connected transactions that prior approval by the independent Shareholders at the special general meetings of the Company be required.

CHAIRMAN, CHIEF EXECUTIVE OFFICER, DIRECTORS

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

During the year ended 31 December 2019, the chairman of the Board is Mr. Yuan Zhijun, whereas, the chief executive officer of the Company is Mr. Lee Shing respectively, who have no relationship with each other. The roles of the chairman of the Board and the chief executive officer of the Company have been segregated and assumed by them separately such that Mr. Yuan Zhijun, the chairman of the Board, has executive responsibilities and provides leadership to the Board in terms of establishing policies, strategies and business directions of the Company. He ensures that the Board works effectively and performs its duties and responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. He takes primary responsibility for ensuring that good corporate governance practices and procedures are established and followed. He did and would encourage all Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interest of the Company and the Shareholders as a whole. Mr. Lee Shing, as the chief executive officer, has been delegated with the authorities for the overall operations and the executive responsibilities of the Group and full implementation of the directions and policies established by the Board.

During the financial year ended 31 December 2019, the chairman of the Board has held one meeting with the independent non-executive Directors without the other executive Directors present. The chairman of the Board did and would encourage all the Directors with different views to voice their concerns, allowed sufficient time for discussion of issues raised and ensured that Board decisions fairly reflect Board consensus. The chairman of the Board supported a culture of openness and debate by facilitating the effective contribution of independent non-executive Directors in particular and ensuring constructive relations between executive and independent non-executive Directors. The chairman of the Board keeps effective communication channel with the Shareholders and ensure the Shareholders' views are communicated to the Board as a whole.

The other executive Directors of the Company are delegated with responsibility and duty to oversee and monitor the operations of specific business areas and to implement the strategies and policies set by the Board.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors keep bringing a wide range of business and financial expertise, skills, experiences, knowledges and independent judgment on the issues of strategies, policies, performance accountability, operation, management, development, resources, key appointments, connected transactions and standards of conduct to the Board of the Company. Through regular attendance and active participation in meetings of the Board and Board committees and/or general meetings of the Company, studying monthly reports, taking the lead in managing issues involving potential conflict of interests among Directors and serving on Board committees, all independent non-executive Directors did and would make various contributions to the effective performance, operation, direction and development of the Company. Independent Board Committee comprising all independent non-executive Directors did and will be formed to advise the independent Shareholders on those connected transactions approved and to be approved by the independent Shareholders at the special general meeting of the Company. One of the independent non-executive Directors possesses the appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors are also members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company.

BOARD COMMITTEES

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

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

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

Remuneration Committee

The Remuneration Committee, which has been established in compliance with Rule 3.25 of the Listing Rules, currently comprises three independent non-executive Directors including Mr. Mi Jianguo (Chairman of the Remuneration Committee), Mr. Ye Xiang and Mr. Wang Yuben.

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

The Remuneration Committee held one (1) meeting and passed certain written resolutions during the year ended 31 December 2019 to, inter alia,

1. review the summary of remuneration package paid to each Directors and senior management of the Company;

2. study the current remuneration package, policy and structure of all Directors (including appointment(s) , resignation(s) and retirement(s), if any, during the year);

3. propose remuneration packages with reference to the duties and responsibilities of Directors and senior management, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board and a report of salaries paid by the comparable companies to directors and senior management;

4. consider the service contract(s) to be entered with the independent non-executive Director(s) and/or the Director(s) (if any);

5. review the remuneration policy, procedures and structure for fixing the remuneration packages; and

6. consider the compensation paid to Directors resigned and retired, if any, during the year.

The attendance records of the meeting of the Remuneration Committee during the year ended 31 December 2019 are set out under the section of "**BOARD MEETINGS**" on page 50.

Audit Committee

The Audit Committee, which has been established in compliance with Rule 3.21 of the Listing Rules, amended from time to time, currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (Chairman of the Audit Committee), Mr. Wang Yuben and Mr. Mi Jianguo, among them one independent non-executive Director possesses the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditors.

The Audit Committee operates pursuant to its terms of reference, its' main duties include the followings:

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

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

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

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

The Audit Committee held two (2) meetings during the year ended 31 December 2019 to, inter alia,

a) review and approve the draft audited consolidated financial statement and the draft unaudited consolidated financial statement together with and the respective draft result announcements, including changes in accounting policies and practices; major judgmental areas; significant adjustments resulting from the audit (if any); the going concern assumption; compliance with accounting and auditing standards and compliance with the Listing Rules and legal requirements in relation to financial reporting to the Board for consideration and approval;

b) assess the independence of the external auditor of the Company and the objective and effectiveness of audit process;

c) review the relationship with the external auditor and then recommend the re-appointment of the external auditor of the Company and recommend its remuneration;

d) evaluate the adequacy and effectiveness of the Group's system of internal control and risk management which covered all material controls including financial, operational and compliance together with the associated procedures;

e) review and approve the internal audit programme, review the internal audit reports and discuss any significant issues with the Management;

f) study the adequacy of resources , qualifications and experience of staffs of the Group's accounting and financial reporting function and their training programmes and budget; and

g) review the new/current continuing connected transactions.

The attendance record of the meetings of AC during the year ended 31 December 2019 are set out under the section of "**BOARD MEETINGS**" on page 50.

Nomination Committee

The Nomination Committee, which has been established in compliance with Sections A5.1 and A5.2 of the Appendix 14 of the Listing Rules, currently comprises Mr. Yuan Zhijun, Chairman of the Board, (Chairman of the Nomination Committee), three independent non-executive Directors including Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo, as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

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

The Company has adopted below the policy for nomination of Directors (including the nomination procedures and criteria for selection and recommendation of candidates for directorship) in accordance with the CG Code, amended from time to time.

Objective of the policy

1. NC shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

2. NC may, as it considers appropriate, nominate a number of candidates more than the number of the Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

Selection Criteria

1. The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate:

    - reputation for integrity;
    - accomplishment, experiences and/or knowledge in the principal business of the Group, from time to time;
    - commitment in respect of available time and relevant interest; and
    - diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

    These factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

2. Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

3. The NC may request candidates to provide additional information and documents, if considered necessary.

Nomination Procedures

1. The Secretary of the NC shall call a meeting of the NC, and invite nominations of candidates from Board members, if any, for consideration by the NC prior to its meeting. The NC may also put forward candidates who are not nominated by Board members.

2. For filling a casual vacancy, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.

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

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

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

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

The Nomination Committee held one (1) meeting and passed certain written resolutions during the year ended 31 December 2019 to, inter alia,

1. review the duties of Nomination Committee set out in the terms of reference and the policy for the nomination of Directors;

2. assess the structure, size and composition of the Board and analyse the diversity of the Board with reference to the Board Diversity Policy adopted by the Board;

3. evaluate the performance of the Board with reference to the board performance report;

4. study the independence of each independent non-executive Director under the Listing Rules, amended from time to time;

5. identify those Directors to be retired from the Board by rotation in the annual general meeting and then be re-elected as Director in the same meeting in accordance with the Company's bye-laws and the Listing Rules;

6. propose the maximum number of Director of the Board in annual general meeting;

7. review the service contract(s) to be entered with the independent non-executive Director; and

8. consider the change in board composition during the year.

The attendance records of the meeting of the Nomination Committee during the year ended 31 December 2019 are set out under the section of "**BOARD MEETINGS**" on page 50.

CORPORATE GOVERNANCE

The Board is responsible for performing the corporate governance duties. During the year ended 31 December 2019, the Board, inter alia

1. reviewed the policy and practices on corporate governance and make recommendations to the Board;

2. assessed training and continuous professional development to Directors and the Management;

3. reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

4. monitored the compliance with the Company's own code of conduct regarding director's dealings in the Company's securities (the "**Own Code**") on term no less exacting than the Model Code (defined below) under the Listing Rules; and

5. reviewed the compliance with the code provision of the CG Code and this corporate government report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Own Code on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers, as amended from time to time, (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

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

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Company for the year ended 31 December 2019 by the auditors about their reporting responsibilities. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board currently receives from the Management monthly management accounts, explanation and analysis of the operation performance and development of the Group together with relevant information which enable the Board to make an informed assessment of the current financial positions and the status of the Group.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the audited consolidated financial statements for the year ended 31 December 2019 is set out in the "**INDEPENDENT AUDITOR'S REPORT**" on pages 85 to 90 in this annual report.

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

For the year ended 31 December 2019, Deloitte Touche Tohmatsu, the external auditor of the Company, received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

	2019 ***RMB'000***
Annual audit services	2,637
Interim review services	588
Other services	358

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining an adequate internal control and risk management system to safeguard the Shareholder investments and the Company and its subsidiaries assets, and reviewing the effectiveness of such on an annual basis with participation of the Audit Committee.

The Group has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the Management. The internal control and risk management systems of the Group are designed to identify and evaluate the significant risks and to minimize the risks to which the Group is exposed, and are designed to manage rather than eliminate the risks of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatements or losses.

The Group which currently engages in the businesses of the manufacturing and trading of engines and related parts, automotive components and accessories and specialized vehicles (which cover the new energy vehicles represented by primarily the electric vehicles), trading of raw materials, and provision of water and power supply, has established internal control and risk management systems which are designed and structured in accordance with its specific business and operation functions.

The main features of the internal control and risk management systems of the Group comprise primarily: (i) the setting of objectives, budgets and targets, subject to the close monitoring and periodic update and evaluation by the responsible departments, Management and the Directors; (ii) the establishment of regular reporting of financial information supplemented by other regular and ad hoc reports for review and appraisal by the Management and the Directors on a timely manner to ensure the Management and Directors are supplied with all the requested information to assess the business performances of the Group in arriving at appropriate plans and actions; (iii) the delegation of authority and establishment of clear lines of accountability to ensure an effective day-to-day management, administration and operation of the Group; and (iv) the periodic review and evaluation of the systems and control procedures to ensure their appropriateness to the changing business and operation environment as well as to identify any areas of material risks and weaknesses for the purpose of proper mitigation and improvement.

The Board monitors the Group's business risks, operating risk management and internal controls. An internal audit department is also maintained to carry out the internal audit functions to ensure proper compliance with the internal control and risk management system to identify the potential risks which may arise in the operation and financial aspects of the Group's business for implementation of appropriate measures and policies on a continuing basis. The scope of review and the audit plan of the internal audit department for the year ended 31 December 2019, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are reviewed and approved by the Audit Committee in conjunction with the Management. The internal audit department executes their functions based on a yearly plan and prepares reports for their assignments. These reports are submitted to the Management, the Board and the Audit Committee for review on a regular basis.

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control and risk management system and the internal audit functions of Group. The review covers all material controls, including financial reporting system, operational and compliance controls and risk management system as well as the adequacy of resources, qualifications and experiences of staffs of the Company's accounting and financial reporting system, and their training programmes and budget. The Board and the Audit Committee confirmed that during the year under review, there were no significant control failings or weaknesses identified which might have a material impact on the Company's financial performance or operation and the required procedures and human resources are in place to ensure adequate internal controls within the Group.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted an Inside Information Disclosure Policy (the "**Policy**") for the Company for monitoring inside information to ensure compliance with the Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Policy are summarized below:

Handling of Inside Information

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the Management should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.

2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors, the chief financial officer, who is also the Company Secretary, immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

3. The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests and other disclosure requirements under the Listing Rules, so that an announcement can be made as soon as practicable.

Dissemination of Inside Information

Inside information is announced promptly through the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wuling.com.hk). The electronic publication system of the Stock Exchange is the first channel of dissemination of the Group's information before any other channel.

SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Tengis Limited, whose contact details are stated in the section headed "**CORPORATE INFORMATION**" of this annual report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting of the Company and state the purpose therefore at the Company's registered office in Bermuda at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Board is welcome to Shareholders for their comments and/or enquiries about the Company. Shareholders who wish to send their comments and/or enquiries to the Board and/or put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary at the principal place of business of the Company in Hong Kong as stated in the section headed "**CORPORATE INFORMATION**" of this annual report.

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

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Corporate communication of the Company did and would be provided to Shareholders in plain language and in both English and Chinese versions to facilities Shareholder's understanding.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company acknowledges the importance of maintaining effective communication with the Shareholders and the investment community and has adopted communications policy with Shareholders and investors of the Company (the "**Communication Policy**") that provide ready, equal and timely access to understandable information about the Company. The Communication Policy is posted on the Company's website (www.wuling.com.hk) and will be reviewed on a regular basis to ensure its effectiveness.

Each general meeting of the Company provides a forum for communication between the Board and the Shareholders. To facilitate enforcement of Shareholders' rights, significant issues, including the election of Directors, are dealt with under separate resolutions at general meetings.

During the year, Mr. Lee Shing, the Vice-Chairman and the Chief Executive Officer, attended all of the Shareholders' meetings held by the Company. Mr. Yuan Zhijun, the chairman of the Board, and Mr. Lee Shing, the vice-chairman of the Board, will use their endeavours to attend all future shareholders' meetings of the Company.

The Chairman of the Board did and would arrange for the Chairman and/or member of the Audit Committee together with the external auditor of the Company be available to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and others in each annual general meeting of the Company. Moreover, as for the connected transactions, the continuing connected transactions or any other transactions that are subject to independent Shareholders' approval, the chairman or a member of the independent board committee did and would also be available to answer questions at special general meetings of the Company.

Most resolutions would be passed by way of poll at each of the general meeting of the Company. Shareholders who are unable to attend general meetings of the Company can appoint proxies to attend and vote at general meetings of the Company. The chairman of general meetings of the Company or the Company Secretary would provide explanation of the detailed procedures for conducting a poll and then would answer questions (if any) from the Shareholders regarding voting by way of poll. The Company would send notices of the annual general meetings of the Company to the Shareholders at least 20 clear business days before each annual general meeting of the Company and at least 10 clear business days before all other general meetings of the Company.

The Company's website (www.wuling.com.hk) contains important corporate information, annual and interim reports, announcements and circulars issued by the Company, as well as the respective terms of reference of each Committee and policies to enable the Shareholders and the investors community to have timely access to updated information about the Group.

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

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. He is reporting to the Chairman of the Board and the Chief Executive Officer. For the year ended 31 December 2019, the Company Secretary has complied with the Listing Rules by taking not less than 15 hours of relevant professional training. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

REPORT OF THE DIRECTORS

The directors of the Company ("**Directors**") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively as the "**Group**") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the sections of "**CHAIRMAN'S STATEMENT**", "**REPORT OF THE CEO**", "**OPERATION REVIEW**" and "**FINANCIAL REVIEW**" set out on pages 2 to 37 of this annual report. These sections form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the sections of "**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**" of this annual report on page 91.

The Directors recommended the payment of a final dividend of HKD0.3 cents per ordinary share of the Company (the "**Share(s)**") for the year ended 31 December 2019 (the "**Final Dividend**") (2018: HKD0.5 cent) to the members of the Company (the "**Shareholder(s)**"), whose names shall be on the register of members of the Company on Monday, 13 July 2020, amounting to approximately HKD9,225,000 (equivalent to approximately RMB8,247,000), subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Tuesday, 30 June 2020 (the "**2020 AGM**").

CLOSURE OF REGISTER OF MEMBERS

For Attendance of 2020 AGM

The register of members of the Company will be closed from Tuesday, 23 June 2020 to Tuesday, 30 June 2020 (both dates inclusive) (the "**1st Book Close Period**"), for the purpose of determining the Shareholders' eligibility to attend and vote at the 2020 AGM and during the 1st Book Close Period no transfer of the Shares will be effected. In order to qualify for attendance of the 2020 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 22 June 2020.

For Entitlement to Final Dividend

The register of members of the Company will be closed from Wednesday, 8 July 2020 to Monday, 13 July 2020 (both days inclusive) (the "**2nd Book Close Period**"), for the purpose of determining the Shareholders' entitlement to the Final Dividend and during the 2nd Book Close Period no transfer of the Shares will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 7 July 2020. Subject to the approval of the Final Dividend by the Shareholders in the 2020 AGM, the dividend warrants of the Final Dividend will be dispatched to the Shareholders on or before 10 August 2020.

DIVIDEND POLICY

The Directors propose the Final Dividend in accordance with the dividend policy of the Company ("**Dividend Policy**") which essential features are summarized below:

Purpose

The Dividend Policy sets out the principles and guidelines of the Company in relation to the distribution of dividend to the Shareholders.

The objective of the Dividend Policy is to reward the Shareholders by sharing a portion of profits/earning, while also ensuring that enough funds are retained for the future growth and prospects of the Company.

Factors when considering the distribution of dividend

The distribution of any dividend by the Company is subject to the discretion of the board of the Directors (the "**Board**"), which normally did/would take into account of the following factors:

- The financial results of the Company;
- Interests of the Shareholders;
- General business conditions and strategies;
- The capital requirements of the Group;
- Contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- Taxation considerations;
- Possible effects on the creditworthiness of the Company;
- Statutory and regulatory restrictions; and
- Any other factors the Board may deem relevant.

There is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future.

Provisions with regard to distribution of dividend

Any distribution of dividend for a financial year shall be subject to the approval by the Shareholders. Shareholders at an annual general meeting of the Company can approve any distribution of final dividend, which should not exceed the amount recommended by the Board.

All of the Shareholders have equal rights to dividend.

Dividend may be distributed in the form of cash and/in specie of Shares. Any distribution of Shares, however, must be approved by the Shareholders.

The Board may from time to time to declare the special, quarterly and/or interim dividends as appear to the Board to be justified.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the "**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**" of this annual report on page 94.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in the reserves of the Company during the year are set out in note 49(i) to the consolidated financial statements of this annual report.

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders were RMB301,326,000, which comprises contributed surplus of RMB94,381,000 and retained profits of RMB206,945,000 of the Company.

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

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

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

FINANCIAL SUMMARY

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

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	14,237,305	15,120,199	16,123,895	16,677,695	13,451,243
(Loss)/profit before tax	(181,894)	120,734	385,348	399,883	242,014
Income tax credit/(expense)	15,279	4,461	(103,564)	(119,610)	(71,962)
(Loss)/profit for the year	(166,615)	125,195	281,784	280,273	170,052
(Loss)/profit for the year attributable to:					
Owner of the Company	(124,026)	70,673	173,158	140,462	82,212
Non-controlling interests	(42,589)	54,522	108,626	139,811	87,840
	(166,615)	125,195	281,784	280,273	170,052
Total assets	15,692,556	13,127,161	11,707,640	12,382,921	11,637,552
Total liabilities	(13,387,233)	(10,648,312)	(9,219,780)	(10,247,750)	(9,747,892)
Net assets	2,305,323	2,478,849	2,487,860	2,135,171	1,889,660
Net assets attributable to:					
Owner of the Company	1,310,604	1,443,639	1,442,682	1,176,145	1,041,513
Non-controlling interests	994,719	1,035,210	1,045,178	959,026	848,147
	2,305,323	2,478,849	2,487,860	2,135,171	1,889,660

PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

The Group revalued its investment properties at the year ended on 31 December 2019. The net increase in fair value of the investment properties of the Group, which has been credited directly to consolidated income statement of profit or loss and other comprehensive income, amounted to RMB4,921,000 (2018: net increase of RMB668,000).

Details of these and other movements during the year in the property, plant and equipment, right-of-use assets and investment properties of the Group are set out in notes 15, 16 and 19 to the consolidated financial statements of this annual report, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 36 to the consolidated financial statements of this annual report.

CONVERTIBLE LOAN NOTES AND RIGHTS ISSUE

On 23 May 2017, the Company issued a 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 at a special general meeting of the Company held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum with maturity on 23 May 2020 would be eligible to be converted into a total number of 571,428,571 fully paid up Shares at an initial conversion price of HKD0.70 per Share (subject to anti-dilutive adjustments) commencing from 22 November 2017 up to the fifth business day prior to the maturity date.

In connection with the issue of these convertible loan notes and as approved by the independent Shareholders at the abovementioned special general meeting, the Company had also completed the first instalment of capital injection into 柳州五菱汽車工業有限公司 Liuzhou Wuling Motors Industrial Company Limited* ("**Wuling Industrial**"), our non-wholly-owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. On 29 December 2017, the Company announced that as the conditions precedents of the second instalment of capital injection of RMB250,000,000 into Wuling Industrial were not expected to be fulfilled on or before 31 December 2017, i.e. the long stop date in respect of the second instalment, the second instalment was lapsed on 31 December 2017.

The capital injection of RMB340,000,000 had been fully applied by Wuling Industrial for the proposed projects as detailed in the section headed "Reasons for the issue of convertible notes, the subscription and the placing and the use of proceeds" in the Company's circular dated 28 November 2016.

Details of the above issue of the convertible loan notes and the above capital injection into Wuling Industrial were fully described in the Company's announcements dated 13 October 2016, 31 December 2016, 28 February 2017, 24 April 2017, 23 May 2017 and 29 December 2017 and the Company's circular dated 28 November 2016.

On 29 December 2017, the Company received a notice from Wuling HK in relation to the conversion of an aggregate principal amount of HKD150,000,000 of the convertible loan notes into fully paid up Shares at the conversion price of HKD0.70 per Share. Accordingly, an aggregate of 214,285,714 fully paid up Shares represents (i) approximately 11.67% of the existing total number of Shares in issue of the Company on 29 December 2017; and (ii) approximately 10.45% of the total number of Shares in issue of the Company as enlarged by such conversion were allotted and issued by the Company on 29 December 2017.

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 fully paid up Shares (before adjustment of the Rights Issue as defined and described below) according to the terms and conditions of the convertible loan notes.

On 2 January 2020, the Company announced that (i) the Company proposed to raise a total of approximately HK$205.01 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 HK$0.20 per rights share (the "**Rights Issue**"); (ii) Wuling HK and Dragon Hill Development Limited, both being substantial Shareholders, 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 were 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 HK$200.01 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 HK$260.00 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 where a total number of 1,025,053,777 new Shares were allotted and issued. Accordingly 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 issuable upon exercise of the conversion rights attaching to all of the outstanding principal amount of the Convertible Loan Notes shall become effective (if appropriate retroactively) 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 HKD 0.63 per share, whereas, the total number of Shares issuable has been adjusted to 396,825,396 Shares.

During the year ended 31 December 2019 and up to the date of this report, the Company did not received any notice from Wuling HK, our controlling Shareholder, in relation to the conversion of any of the outstanding convertible loan notes. Details information of movements of the liability and derivative components of the convertible loan notes are set out in note 33 to the consolidated financial statements of this annual report.

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).

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into during the year ended 31 December 2019, save for the convertible loan notes and rights issue as detailed in the paragraph "**CONVERTIBLE LOAN NOTES AND RIGHTS ISSUE**" disclosed above and others, if any, disclosed in this annual report.

BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 32 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for respectively 48.1% and 56.4% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and the five (5) largest suppliers taken together accounted for respectively 42.7% and 52.7% of the Group's total purchases for the year.

上汽通用五菱汽車股份有限公司 SAIC-GM-Wuling Automobile Co., Ltd.* ("**SGMW**"), in which, 廣西汽車集團有限公司 ("**廣西汽車**") Guangxi Automobile Holdings Limited* ("**Guangxi Automobile**"), the ultimate controlling Shareholder, holds 5.8% of its registered capital, was the Group's largest customer and largest supplier for the year ended 31 December 2019.

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

DIRECTORS

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

Current Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Yang Jianyong
Mr. Wang Zhengtong (appointed on 28 February 2019)

Past Executive Directors

Mr. Zhong Xianhua (resigned on 28 February 2019)
Ms. Liu Yaling (retired on 14 June 2019)

Independent Non-Executive Directors

Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo

The biographical details of the current Directors are set out on pages 38 to 45 of this annual report.

Mr. Zhong Xianhua reached his retirement age and tendered his resignation as an executive Director with effect from 28 February 2019. Succeeding the resignation of Mr. Zhong Xianhua, Mr. Wang Zhengtong has been appointed as an executive Director with effect from 28 February 2019. Ms. Liu Yaling did not offer herself for re-election at the annual general meeting of the Company held on 14 June 2019 ("**2019 AGM**") due to her other business commitments.

In accordance with the Company's bye-law 91, Mr. Wang Zhengtong, duly appointed by the Board to fill the causal vacancy on 28 February 2019, retired from the Board as the Director at the 2019 AGM and he was re-elected as the Director by the Shareholders at the same meeting.

Pursuant to the Company's bye-laws and/or The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") at each annual general meeting of the Company not less than one-third of the Directors (including those appointed for a specific term) for the time being shall retire from the Board by rotation and each Director shall be subject to retirement by rotation at least once every three years at the conclusion of annual general meeting of the Company after he/she was last elected or re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

Besides, if an independent non-executive Director serves the Company for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by the Shareholders in accordance with the Listing Rules.

In accordance with bye-law 99(B) of the Company, Mr. Lee Shing, Mr. Yang Jianyong and Mr. Mi Jianguo shall retire from the Board by rotation at the conclusion of the 2020 AGM and, being eligible, offer themselves for re-election at the 2020 AGM.

For the year ended 31 December 2019, the Company has received from each of its independent non-executive Director, the respective written annual confirmation of independence pursuant to rule 3.13 of the Listing Rules, as amended from time to time, and the Board and the Nomination Committee has considered and agreed all independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

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

DIRECTORS' SERVICE CONTRACTS

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

No retiring Director (Mr. Lee Shing, Mr. Yang Jianyong and Mr. Mi Jianguo) being proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2019, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), contained in Appendix 10 of the Listing Rules were as follows:

Long Positions

Name of Director	Capacity		Number of Shares held	Approximate % of the total number of Shares in issue*
Mr. Lee Shing ("**Mr. Lee**")	Interest in controlled corporation (Note)		281,622,914	13.74%
	Beneficial owner		3,090,900	0.15%
	Interest held by spouse		1,648,480	0.08%
		Sub-total	286,362,294	13.97%
Mr. Yuan Zhijun	Beneficial owner		3,000,000	0.15%
Mr. Ye Xiang	Beneficial owner		1,030,300	0.05%

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

* The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2019 (i.e. 2,050,107,555 Shares).

Save as disclosed above, none of the Directors nor their associates had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2019 which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year ended 31 December 2019 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Save as disclosed under the sections headed "**CONNECTED TRANSACTIONS**" AND "**CONTINUING CONNECTED TRANSACTIONS**" in this Report of the Directors from pages 74 to 82, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which Director(s), their associates or any entities connected with a Director or their associates had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the Shareholders on 28 May 2012, a share option scheme (the "**Share Option Scheme**") with an expiry date on 27 May 2022 was adopted by the Company.

During the year ended 31 December 2019 and up to date of this annual report, there was no share option granted, outstanding, exercised, lapsed, re-classified and/or cancelled under the Share Option Scheme.

A summary of the Share Option Scheme is set out in note 39 to the consolidated financial statements of this annual report.

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

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2019, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Name of Shareholder	Capacity	Nature of interest	Number of Shares	Approximate % of the total number of Shares in issue#
Dragon Hill (Note 1)	Beneficial owner	Corporate	281,622,914	13.74%
Mr. Lee	Interest in controlled corporation (Note 1)	Corporate	281,622,914	13.74%
	Beneficial owner (Note 2)	Personal	3,090,900	0.15%
	Interest held by spouse (Note 2)	Family	1,648,480	0.08%
		Sub-total	286,362,294	13.97%
Wuling HK (Notes 3 & 4)	Beneficial owner	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	1,600,275,377	78.06%
Wuling Motors (Hong Kong) Company Limited ("**Wuling Motors**") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	1,600,275,377	78.06%
廣西汽車集團有限公司 ("**Guangxi Automobile**") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	1,600,275,377	78.06%

Notes:

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

2. These represent the Shares held by Mr. Lee and his spouse as beneficial owners, respectively.

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

4. The unlisted derivatives referred to the 357,142,857 Shares (conversion shares) issuable to Wuling HK upon exercise in full of the conversion rights attaching to the outstanding convertible loan notes issued to Wuling HK amounting to HKD250,000,000, details of which may refer to the above section of "**CONVERTIBLE LOAN NOTES AND RIGHTS ISSUE**" of this annual report on pages 68 and 69.

\# The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2019 (i.e. 2,050,107,555 Shares).

REPORT OF THE DIRECTORS

Other than as disclosed above, as at 31 December 2019, the Company has not been notified of any other relevant interests and short position in the shares and underlying shares of the Company or any of its associated corporation, which had been recorded in the register required to be kept under section 336 of the SFO.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "**Own Code**") on terms no less exacting than the Model Code, amended from time to time, The Directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2019.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

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

All Directors, including those interested in the Excluded Business, did and would, as and when required under the Bye-laws and/or the Listing Rules, disclose to the Board and then abstain from voting on any resolution of the Board in respect of any contract, arrangement or proposal in which he or any of his associates has material interest.

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

CONNECTED TRANSACTIONS

Equipment S&P Agreement with Qingdao Wushun

On 12 July 2019, Liuzhou Wuling Motors Industrial Company Limited ("**Wuling Industrial**") as vendor, a non-wholly-owned subsidiary of the Company, and 青島五順汽車模具部件有限公司 (Qingdao Wushun Car Molding Tool Parts Co., Limited*) ("**Qingdao Wushun**") as purchaser, a non-wholly-owned subsidiary of Guangxi Automobile, entered into the equipment sale and purchase agreement ("**Equipment S&P Agreement**") in relation the sale and purchase of certain equipment at the net consideration of RMB5,518,093 (exclusive of VAT), which comprises (i) RMB1,864,593 for the Robotic System (defined below); and (ii) RMB3,653,500 for the Front Floor Panel Equipment (defined below). The equipment to be supplied and set up by Wuling Industrial as vendor comprises (i) a used robotic system currently owned by Wuling

* *for identification purpose only*

Industrial, Shandong branch (the "**Robotic System**") to be integrated for use by Qingdao Wushun with the Front Floor Panel Equipment (as defined below); and (ii) by integrating the Robotic System and other necessary components, to supply and set up a new production-line for manufacturing front floor panel of vehicles by Qingdao Wushun (the "**Front Floor Panel Equipment**"). Qingdao Wushun is a connected person of the Company, the transactions contemplated under the Equipment S&P Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules, which are subject to reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Details of the Equipment S&P Agreement was disclosed in the Company's announcement dated 12 July 2019.

CONTINUING CONNECTED TRANSACTIONS

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

(1) Sale Transactions and Purchase Transactions under 2017–2019 Master Agreement

A master agreement entered into between Wuling Industrial, a non-wholly-owned subsidiary of the Company, and Guangxi Automobile, the ultimate controlling Shareholder, on 16 November 2016 in relation to the Sale Transactions (as defined below) and the Purchase Transactions (as defined below) for a term of three years from 1 January 2017 to 31 December 2019 (the "**2017–2019 Master Agreement**") to govern, renew and cover various continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile Group of similar nature. Details of 2017-2019 Master Agreement were disclosed in the Company's announcement dated 16 November 2016 and the Company's circular dated 15 December 2016.

Pursuant to the 2017-2019 Master Agreement, Wuling Industrial Group agreed to supply, inter alia, certain raw materials (including but not limited to steel), consumables and materials, finished products and semi-finished products (including but not limited to automotive parts and accessories) to Guangxi Automobile Group (collectively the "**Sale Transactions**"), whereas, Guangxi Automobile Group agreed to supply, inter alia, consumables and materials, finished products and semi-finished product (including but not limited to passenger minibuses, automotive components, mould parts and accessories, and automotive air-conditioners related parts and accessories) to Wuling Industrial Group (collectively the "**Purchase Transactions**").

The proposed annual caps of the Sale Transactions for each of the three years ending 31 December 2017, 2018 and 2019 are RMB432,000,000, RMB534,000,000 and RMB644,000,000 respectively and the proposed annual caps of the Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 are RMB 595,700,000, RMB772,200,000 and RMB872,700,000 respectively. These proposed annual caps were amended by the Supplemental Agreements and the Third Supplemental Agreement (both defined in items (2) or (3) below) as detailed below.

The independent Shareholders' approval for the 2017–2019 Master Agreement was obtained in the special general meeting of the Company held on 6 January 2017.

(2) First and Second Supplemental Agreements to 2017–2019 Master Agreement

Extension of scope of product and services and adjustment to the annual caps under 2017–2019 Master Agreement

Due to an extension in the scope of products and services to be covered and the increases in the projected volume of transactions of the Sale Transactions and the Purchase Transactions under the 2017–2019 Master Agreement, Wuling Industrial and Guangxi Automobile entered into two supplemental agreements to the 2017–2019 Master Agreement respectively on 28 April 2017 and 17 May 2017 (collectively "**Supplemental Agreements**") to amend certain terms of the 2017–2019 Master Agreement so as to extend the scope of products and services to be covered and to revise the annual caps of the Sale Transactions and Purchase Transactions under the 2017–2019 Master Agreement. Details of Supplemental Agreements were disclosed in the Company's announcements dated 28 April 2017 and 17 May 2017 and the Company's circular dated 13 June 2017.

Accordingly, the proposed annual caps of the Sale Transactions for each of the three years ending 31 December 2017, 2018 and 2019 were revised to RMB530,000,000, RMB635,000,000 and RMB745,000,000 respectively and the proposed annual caps of the Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 were revised to RMB655,000,000, RMB844,000,000 and RMB941,000,000 respectively. These proposed annual caps of the Sale Transactions for each of the two years ending 2018 and 2019 were further amended by the Third Supplemental Agreement (defined in item (3) below) as detailed below.

The independent Shareholders' approval for the Supplemental Agreements was obtained in the special general meeting of the Company held on 30 June 2017.

(3) Third Supplemental Agreement to 2017–2019 Master Agreement

Extension of scope of services and products and annual caps of the Sale Transactions under the 2017–2019 Master Agreement

In response to the marketing strategy of the Group in actively promoting its specialized vehicles to different regions in the PRC and the Company expected the increases in the projected volume of transactions of the Sale Transactions under the 2017–2019 Master Agreement, Wuling Industrial and Guangxi Automobile entered into the third supplemental agreement to the 2017–2019 Master Agreement on 15 June 2018 ("**Third Supplemental Agreement**") to amend certain terms of the 2017–2019 Master Agreement so as to extend the scope of products and services to be covered and to revise the annual caps of the Sale Transactions under the 2017–2019 Master Agreement. Details of Third Supplemental Agreement were disclosed in the Company's announcement dated 15 June 2018, and the Company's circular dated 20 July 2018.

Accordingly, the proposed annual caps of the Sale Transactions for each of the two years ending 31 December 2018 and 2019 were revised to RMB695,000,000 and RMB855,000,000 respectively and the proposed annual caps of the Purchase Transactions for each of the two years ending 31 December 2018 and 2019 remain unchanged under the Supplemental Agreements, which are RMB844,000,000 and RMB941,000,000 respectively.

The independent Shareholders' approval for the Third Supplemental Agreement was obtained in the special general meeting of the Company held on 9 August 2018.

The actual amount of Sale Transactions and Purchase Transactions under the 2017-2019 Master Agreement for the year ended 31 December 2019 were RMB42,325,000 and RMB51,788,000 respectively, which were within the annual caps under the Supplemental Agreements and the Third Supplemental Agreement.

(4) GL Power Supply Services under 2017–2019 Master Agreement

Under the 2017–2019 Master Agreement, the provision of power supply services ("**GL Power Supply Services**") by Wuling Industrial Group to 柳州廣菱汽車技術有限公司 Liuzhou Guangling Moulds & Tools Technology Limited* ("**Guangling**" which was 50.1% beneficially owned by Guangxi Automobile) were also renewed for a term of three years commencing from 1 January 2017 to 31 December 2019 at the annual caps of RMB6,000,000, RMB6,500,000 and RMB6,500,000 for the each of the three years ending 31 December 2017, 2018 and 2019 respectively. Details of the GL Power Supply Services were disclosed in the Company's announcement dated 24 November 2016.

The GL Power Supply Services transaction was subject to reporting, announcement and annual review requirements but exempted from the approval of independent Shareholders under the chapter 14A of the Listing Rules.

The actual amount of GL Power Supply Services entered into by the related parties for the year ended 31 December 2019 were RMB3,208,000, which were within the annual cap under the 2017–2019 Master Agreement.

(5) Sale and Purchase Transactions with Qingdao Wushun

On 12 July 2019, Wuling Industrial and Qingdao Wushun, a non-wholly-owned subsidiary of Guangxi Automobile, entered into three continuing sale and purchase agreements in relation to certain sale and purchase transactions to be entered into Wuling Industrial and Qingdao Wushun for the period from 12 July 2019 to 31 December 2019 ("**Continuing S&P Agreements**"). Details of Continuing S&P Agreements were disclosed in the Company's announcement dated 12 July 2019.

Pursuant to the Continuing S&P Agreements, Wuling Industrial and Qingdao Wushun agreed to enter into the following sale and purchase transactions:

(i) the sale of certain automotive parts and accessories, including various types of inner panels and its welding parts and welding assembly components by Wuling Industrial to Qingdao Wushun (the "**QD Sale Transactions**")

(ii) the purchase of certain automotive parts and accessories, including various types of guard panels, welding parts and welding assembly components, and the purchase of certain automotive parts and accessories, including various types of welding parts and welding assembly components of front frames, rear frames, inner panels and back panels from Qingdao Wushun by Wuling Industrial (collectively the "**QD Purchase Transactions**")

The proposed annual caps of the QD Sale Transactions and QD Purchase Transactions under Continuing S&P Agreements are RMB12,269,965 (excluding VAT) and RMB14,272,427 (excluding VAT) respectively for the year ending 31 December 2019.

The transactions contemplated under the Continuing S&P Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, which are subject to reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Details of the Continuing S&P Agreements were disclosed in the Company's announcement dated 12 July 2019.

The actual amount of QD Sale Transactions and QD Purchase Transactions under Continuing S&P Agreements for the year ended 31 December 2019 were RMB11,944,000 and RMB13,525,000 respectively, which were within the annual caps under the Continuing S&P Agreements.

(6) 2019–2021 Master Tenancy Agreement

on 7 December 2018, Wuling Industrial (as tenant) and Guangxi Automobile (as landlord) entered into a new master tenancy agreement to renew the tenancy of certain properties under the master tenancy agreement entered into between Wuling Industrial (as tenant) and Guangxi Automobile (as landlord) on 28 December 2015 (the "**2016–2018 Master Tenancy Agreement**") and to extend the locations and properties to be covered (i.e. the Liuzhou Leased Properties and the Additional Properties as defined below) for a term of three years from 1 January 2019 to 31 December 2021 and to adopt new annual caps for the renewed tenancy (the "**2019–2021 Master Tenancy Agreement**"). Under the 2019-2021 Master Tenancy Agreement, the properties to be leased include (a) nine parcels of land and 43 buildings, all of which are located in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC and with a total site area and floor area of approximately 617,742.20 square meters and 138,332.35 square meters respectively (the "**Liuzhou Leased Properties**") and (b) the other properties including but not limited to those adjacent to the Liuzhou Leased Properties owned by Guangxi Automobile which Wuling Industrial may further lease to cater for possible further business development of the Wuling Industrial Group (the "**Additional Properties**"). In this respect, the aggregate annual rentals for the Liuzhou Leased Properties and the Additional Properties will not exceed the proposed new annual caps for each of the three years ending 31 December 2019, 2020 and 2021 which are being fixed at RMB36,520,000 per annum. Details of 2019-2021 Master Tenancy Agreement were disclosed in the Company's announcement dated 7 December 2018 and the circular dated 15 January 2019.

Wuling Industrial Group has been occupying the Liuzhou Leased Properties for its business and operation pursuant to the 2016-2018 Master Tenancy Agreement and the 2019-2021 Master Tenancy Agreement. The Liuzhou Leased Properties are important for the Wuling Industrial Group in carrying out its business, being the manufacturing of engines and parts, automotive components and accessories, specialized vehicles, and other related business.

The independent Shareholders' approval for the 2019–2021 Master Tenancy Agreement was obtained in the special general meeting of the Company held on 31 January 2019.

The actual amount of rental expenses paid by Wuling Industrial Group under the 2019–2021 Master Tenancy Agreement (which were recorded as interest expenses on and repayment of lease liabilities under the adoption of the new accounting standard during the year ended 31 December 2019) were RMB31,600,000 for the year ended 31 December 2019, which were within the annual cap of the 2019–2021 Master Tenancy Agreement.

(7) 2019–2021 Loan Agreements

On 23 November 2018, loan agreements were entered into between each of Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited ("**Wuling Liuji**"), both of them subsidiaries of the Company, as borrowers, and Guangxi Automobile, the ultimate controlling Shareholder, as lender, (the "**2019–2021 Loan Agreements**") in relation to two facilities grant from Guangxi Automobile (the "**Facilities**") that includes (a) the maximum limits of the facility granted to Wuling Industrial amounting to RMB3,000,000,000, RMB3,300,000,000 and RMB3,600,000,000 respectively for the three years ending 31 December 2019, 2020 and

2021; and (b) the maximum limits of the facility granted to Wuling Liuji amounting to RMB1,600,000,000, RMB1,800,000,000 and RMB2,000,000,000 respectively for the three years ending 31 December, 2019, 2020 and 2021. The term of the Facilities is not more than six (6) months from the date of each drawdown, and the drawdown amount to Wuling Industrial and Wuling Liuji will be secured by the same amount of bill receivables of Wuling Industrial and/or Wuling Liuji to be assigned to Guangxi Automobile. The interest rates to be charged under the Facilities would be the lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of facilities pledged with bill receivables at the time of drawdown. The maximum amount of aggregate interest paid by Wuling Industrial and Wuling Liuji for the three years ending 31 December 2019, 2020 and 2021 in respect of the related Facilities would be RMB123,970,000, RMB137,445,000 and RMB150,920,000 respectively. The Facilities will be used by Wuling Industrial and/or Wuling Liuji as general working capital. Details of the 2019-2021 Loan Agreements were described in the Company's announcement dated 23 November 2018 and the circular dated 2 January 2019.

The independent Shareholders' approval for the 2019–2021 Loan Agreements was obtained in the special general meeting of the Company held on 31 January 2019.

The actual amount of the Facilities granted from Guangxi Automobile to Wuling Industrial and Wuling Liuji for the year ended 31 December 2019 were RMB1,000,000,000 and RMB1,434,768,000 respectively, whereas, the aggregate amount of interest paid was RMB28,515,000, which amounts were all within the respective annual caps under the 2019–2021 Loan Agreements.

(8) Equipment Purchase Transactions with Shanghai Yipu

On 26 April 2019, Wuling Industrial and 上海詣譜自動化裝備有限公司(Shanghai Yipu Automatic Equipment Co., Limited* ("**Shanghai Yipu**")) entered equipment purchase framework agreement ("**2019–2021 Equipment Purchase Framework Agreement**") in relation to the Equipment Purchase Transactions (defined below) for the period commencing from 27 June 2019 to 31 December 2021 whereby purchase of the equipment and/or production line/toolings by Wuling Industrial Group from Shanghai Yipu and such other transactions to meet the actual needs of Wuling Industrial Group (such as after-sale services, installations and testings) in accordance with the standard tender process, whether by public tender or private tender, of the Group pursuant to the respective terms of the 2019–2021 Equipment Purchase Framework Agreement (the "**Equipment Purchase Transactions**"). Details of the 2019–2021 Equipment Purchase Framework Agreement were disclosed in the Company's announcement dated 26 April 2019 and the Company's circular dated 31 May 2019.

The proposed annual caps of Equipment Purchase Transactions for each of the three years ending 31 December 2019, 2020 and 2021 are RMB100,000,000, RMB110,000,000 and RMB120,000,000 for each of the three years ending 31 December 2021, respectively.

The Independent Shareholders' approval for the 2019–2021 Equipment Purchase Framework Agreement was obtained in the special general meeting of the Company held on 27 June 2019.

The actual contracted amount of Equipment Purchase Transactions under 2019-2021 Equipment Purchase Framework Agreement for the year ended 31 December 2019 were RMB46,244,000, which were within the annual caps under the 2019–2021 Equipment Purchase Framework Agreement.

(9) Renewal of 2017–2019 Master Agreement and the Entering into 2020–2022 Master Agreement

Before the 2017–2019 Master Agreement expired on 31 December 2019, Wuling Industrial and Guangxi Automobile entered into a master agreement on 22 November 2019 in relation to the New Sale Transactions (defined below), the Purchase (Materials and Parts) Transactions (defined below), the Purchase (Finished Products) Transactions (defined below) and the Utility Supply Transactions (defined below) for a term of three years from 1 January 2020 to 31 December 2022 (the "**2020–2022 Master Agreement**") to govern the new continuing connected transactions between the Wuling Industrial Group and the Guangxi Automobile Group. Details of the 2020–2022 Master Agreement were disclosed in the Company's announcement dated 22 November 2019 and the Company's circular dated 27 December 2019.

Pursuant to the 2020–2022 Master Agreement, the Wuling Industrial Group has conditionally agreed to (i) supply certain automotive components and materials for production and trading purposes (including engines, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials) to the Guangxi Automobile Group (the "**New Sale Transactions**"), (ii) purchase certain automotive components and related products for production and trading purposes (including various types of automotive parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories) from the Guangxi Automobile Group (the "**Purchase (Materials and Parts) Transactions**") , (iii) purchase vehicles and related products from the Guangxi Automobile Group for trading purpose (the "**Purchase (Finished Products) Transactions**"); and (iv) provide water and power supply services to the Guangxi Automobile Group (the "**Utility Supply Transactions**").

The proposed annual caps under the the 2020–2022 Master Agreement for each of the transactions are as below:

	Annual Caps Year ending 31 December		
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*
New Sale Transactions	296,000	323,300	371,000
Purchase (Materials and Parts) Transactions	167,600	188,200	233,300
Purchase (Finished Products) Transactions	341,000	465,000	500,000
Utility Supply Transactions	9,200	9,700	10,100

The independent Shareholders' approval for the 2020–2022 Master Agreement was obtained in the special general meeting at the Company held on 20 January 2020.

Parties to the Continuing Connected Transactions

Wuling Industrial is a non-wholly owned subsidiary of the Company. Wuling Liuji is a wholly-owned subsidiary of Wuling Industrial. Meanwhile, Guangxi Automobile is the ultimate controlling Shareholder, Shanghai Yipu is currently held as to 55% by Guangxi Automobile, Qingdao Wushun is a non-wholly owned subsidiary of Guangxi Automobile. Thus Guangxi Automobile, Shanghai Yipu and Qingdao Wushun is regarded as connected persons of the Company under Rule 14A.07 of the Listing Rules and therefore the transactions contemplated under all the abovementioned agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Yuan Zhijun (chairman of the Board), Mr. Yang Jianyong, Mr. Wang Zhengtong (appointed on 28 February 2019), Mr. Zhong Xianhua (resigned on 28 February 2019), present or past executive Directors, being also the directors and/or senior executives of Guangxi Automobile, the ultimate controlling Shareholder, had disclosed their interest and then abstained from voting on the Board resolutions in relation to all of the above continuing connected transactions.

The aggregate amounts of the abovementioned continuing connected transactions for the year ended 31 December 2019 are set out in note 45 to the consolidated financial statements of this annual report.

Pursuant to rule 14A.56 of the Listing Rules, the Directors engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "**Assurance Engagements Other Than Audits or Reviews of Historical Financial Information**" and with reference to Practice Note 740 "**Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules**" issued by the Hong Kong Institute of Certified Public Accountants and the auditors have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions as disclosed by the Group in this report in accordance with the requirements of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

(ii) either on normal commercial terms or better; and

(iii) according to the respective agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the financial year ended 31 December 2019, the Company has complied with the requirements under the bye-laws of the Company, the Listing Rules, the SFO and the Bermuda Companies Act., and all the applicable laws, as amended from time to time. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the "**CORPORATE GOVERNANCE REPORT**" from pages 46 to 64 of this annual report.

To protect the privacy of its employees and the Shareholders and to safeguard the interests of its employees and the Shareholders, the Group has complied with the requirements of the Personal Data (Privacy) Ordinance, the Employment Ordinance, the Employees' Compensation Ordinance, the Minimum Wage Ordinance, the Mandatory Provident Fund Schemes Ordinance and the Ordinances relating to disability, sex, family status , race discrimination and occupational safety through established internal policies and/or procedures during the year.

REMUNERATION COMMITTEE

The Remuneration Committee, which has been established in compliance with Rule 3.25 of the Listing Rules, for the purpose of, inter alia, reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior management of the Company and other related matters, currently comprises three independent non-executive Directors including Mr. Mi Jianguo (chairman of Remuneration Committee), Mr. Ye Xiang and Mr. Wang Yuben.

AUDIT COMMITTEE

The Audit Committee, which has been established in compliance with the Rule 3.21 of the Listing Rules, for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting system, risk management system and internal control system, currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (chairman of the Audit Committee), Mr. Wang Yuben and Mr. Mi Jianguo, in which one of them possesses the appropriate professional qualifications or accounting or related financial management expertise.

The audited consolidated financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee, which has been established in compliance with Sections A5.1 and A5.2 of the Appendix 14 of the Listing Rules, for the purpose of, inter alia, reviewing the composition and effectiveness of the Board functioning, as well as to assessing or making recommending on relevant matters relating to the appointment and/or re-election of the Directors, currently comprises Mr. Yuan Zhijun, Chairman of the Board (Chairman of the Nomination Committee), three independent non-executive Directors including Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo, as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

The respective terms of reference of these committees as amended from time to time, are set out in the websites of the Company (www.wuling.com.hk) and the Stock Exchange (www.hkexnews.hk). A summary of their respective duties and works during the year ended 31 December 2019 is set out in the "**CORPORATE GOVERNANCE REPORT**" from pages 46 to 64 of this annual report.

PERMITTED INDEMNITY PROVISION

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

STAFFS

As at 31 December 2019, the Group had approximately 9,500 employees. Total staff costs for the year ended 31 December 2019 were approximately RMB983,326,000 which details were set out in note 10 to the consolidated financial statements of this annual report.

Salaries of employees and directors are determined with reference to their duties and responsibilities in the Group and are maintained at competitive levels and bonus are granted on a discretionary basis. Other employee benefits include provident fund, insurance medical cover, subsidised educational and training programmes as well as the Share Option Scheme.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Deloitte Touche Tohmatsu has been appointed as the auditor of the Company to audit the consolidated financial statements of the Company prepared in accordance with the Hong Kong Financial Reporting Standards for the year ended 31 December 2019 and will retire upon the conclusion of the 2020 AGM.

A resolution will be proposed at the 2020 AGM to approve the appointment of an auditor of the Company for the year ending 31 December 2020.

On behalf of the Board

Yuan Zhijun
Chairman
26 May 2020

* *for identification purpose only*

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Wuling Motors Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 91 to 212, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment that has indication of impairment loss As disclosed in Note 5 to the consolidated financial statements, determining whether property, plant and equipment that has indication of impairment loss is impaired required the management of the Group's estimation of the value in use of the cash-generating units ("CGUs") to which the property, plant and equipment that has indication of impairment loss has been allocated. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the property, plant and equipment using suitable discount rates. In estimating the value in use of the CGUs, key assumptions used by the management of the Group included discount rates, growth rates, budgeted sales and gross margins and their related cash inflow and outflow patterns of the respective CGUs. The management of the Group also engaged an independent valuer to carry out valuation of the value in use of the CGUs. As disclosed in Note 15 to the consolidated financial statements, the management of the Group determined that there was an impairment of RMB187,636,000 in the CGUs containing these property, plant and equipment during the year ended 31 December 2019.	Our procedures in relation to the impairment assessment of the property, plant and equipment that has indication of impairment loss included: • Evaluating the competence, capabilities and objectivity of the independent valuer; • Evaluating the assumptions underpinning the discounted cash flow models, including growth rates, budgeted sales and gross margins through assessing the reasonableness of forecasted future cash flows by reference to the future business plan of the Group as well as industry trend; • Involving our team of internal valuation experts to assess the reasonableness of the discount rates applied in determining the value in use by benchmarking against market data; and • Evaluating the accuracy of management's forecasting process by comparing discounted cash flows forecasts in prior year with the actual results in the current year.

Key audit matter	How our audit addressed the key audit matter
Impairment loss on trade receivables	
We identified the impairment loss on trade receivables as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgment involved in recognizing impairment loss on trade receivables. The Group recognizes a loss allowance for expected credit losses ("ECL") on trade receivables. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default which involves key estimates from the management of the Group. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The carrying amount of trade receivables amounted to approximately RMB3,264 million, net of loss allowance for ECL amounting to approximately RMB64 million recognized as at 31 December 2019. Referring to note 5 to the consolidated financial statements, the Group estimates the ECL by using provision matrix which is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables from related parties and credit-impaired trade receivables are assessed for ECL individually.	Our procedures in relation to assessing the impairment loss on trade receivables included: • Understanding key controls on how the management of the Group estimates the loss allowance for trade receivables; • Testing the integrity of information used by the management of the Group to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales invoices and other supporting documents; and • Challenging the management of the Group's basis and judgment in determining credit loss allowance on trade receivables as at 31 December 2019, including their identification of trade receivables from related parties and credit-impaired trade receivables, the reasonableness of their grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information).

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	6		
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	7(a)	199,982	162,115
Other gains and losses	7(b)	(201,030)	48,490
(Impairment losses) reversed under expected credit loss model, net of reversal or impairment losses	47(ii)	(26,773)	3,236
Selling and distribution costs		(184,370)	(244,103)
General and administrative expenses		(772,983)	(872,377)
Research and development expenses		(195,034)	(140,599)
Share of results of associates	20	(16,717)	15,902
Share of results of joint ventures	21	(9,928)	(1,650)
Finance costs	8	(147,201)	(133,105)
(Loss) profit before taxation		(181,894)	120,734
Income tax credit	9	15,279	4,461
(Loss) profit for the year	10	(166,615)	125,195
Other comprehensive income (expense)			
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 (expense) income for the year		(164,639)	107,650
(Loss) profit for the year attributable to:			
Owners of the Company		(124,026)	70,673
Non-controlling interests		(42,589)	54,522
		(166,615)	125,195
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(123,871)	58,411
Non-controlling interests		(40,768)	49,239
		(164,639)	107,650
(Loss) earnings per share	14		
Basic		(6.05) cents	3.45 cents
Diluted		(6.05) cents	2.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	3,380,575	3,590,089
Right-of-use assets	16	327,361	–
Prepaid lease payments	17	–	332,652
Premium on prepaid lease payments	18	–	798
Investment properties	19	287,575	10,277
Interests in associates	20	280,722	237,439
Interests in joint ventures	21	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	22	2,048	2,048
		4,439,237	4,548,127
CURRENT ASSETS			
Inventories	23	1,668,735	943,230
Trade and other receivables	24	4,035,821	3,567,957
Bills receivables at fair value through other comprehensive income	25	4,011,138	2,070,542
Prepaid lease payments	17	–	7,840
Financial assets at fair value through profit or loss	34	21,195	–
Pledged bank deposits	27	678,374	1,014,768
Bank balances and cash	27	838,056	974,697
		11,253,319	8,579,034
CURRENT LIABILITIES			
Trade and other payables	28	7,496,721	8,082,910
Contract liabilities	29	466,341	222,082
Lease liabilities	30	38,317	–
Provision for warranty	31	77,530	119,290
Tax payable		56,662	52,701
Bank and other borrowings	32	955,527	491,779
Advances drawn on bills receivables discounted with recourse	32	3,250,263	1,142,306
Derivative financial instrument	33	–	1,224
Convertible loan notes	33	214,050	8,784
Financial liability at fair value through profit or loss	34	2,384	1,475
		12,557,795	10,122,551
NET CURRENT LIABILITIES		(1,304,476)	(1,543,517)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,134,761	3,004,610

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	29	12,406	13,872
Lease liabilities	30	18,748	–
Amount due to an associate	20	50,000	50,000
Bank and other borrowings	32	720,000	268,000
Convertible loan notes	33	–	170,721
Deferred tax liabilities	35	28,284	23,168
		829,438	525,761
		2,305,323	2,478,849
CAPITAL AND RESERVES			
Share capital	36	7,366	7,366
Reserves		1,303,238	1,436,273
Equity attributable to owners of the Company		1,310,604	1,443,639
Non-controlling interests		994,719	1,035,210
		2,305,323	2,478,849

The consolidated financial statements on pages 91 to 212 were approved and authorized for issue by the board of directors on 26 May 2020 and are signed on its behalf by:

Mr. Yuan Zhijun,
CHAIRMAN

Mr. Lee Shing,
VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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	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 13)*	-	-	-	-	-	-	-	-	-	(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	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 for the year	-	-	-	-	-	-	-	-	-	(124,026)	(124,026)	(42,589)	(166,615)
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
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)
Total comprehensive (expense) income for the year	-	-	(2,683)	-	-	-	(4,820)	-	7,658	(124,026)	(123,871)	(40,768)	(164,639)
Dividend paid *(note 13)*	-	-	-	-	-	-	-	-	-	(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	-	-	-	-	12,768	-	-	-	-	(21,932)	(9,164)	277	(8,887)
At 31 December 2019	7,366	457,494	6,154	35,763	361,657	18,505	(30,964)	(19,952)	7,658	466,923	1,310,604	994,719	2,305,323

notes:

(i) The Group's (as defined in note 1) 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 (as defined in note 1) 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").

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
(Loss) Profit before taxation	(181,894)	120,734
Adjustments for:		
Allowance for inventories	19,598	60,765
Bank interest income	(37,404)	(50,506)
Depreciation of property, plant and equipment and right-of-use assets	117,779	176,536
Unrealized foreign exchange loss, net	27,344	18,108
Finance costs	147,201	133,105
Fair value change of financial assets at fair value through profit or loss	(22,670)	–
Fair value change of financial liability at fair value through profit or loss	2,384	(3,860)
Fair value change of derivative financial instrument	(1,227)	(50,193)
Fair value change of investment properties	(4,921)	(668)
Loss (gain) on disposal of property, plant and equipment	12,484	(12,820)
Impairment losses (reversal) under expected credit loss model, net of reversal or impairment losses	26,773	(3,236)
Reversal of impairment loss on interest in a joint venture	–	(8,000)
Impairment on goodwill	–	8,943
Impairment loss on property, plant and equipment	187,636	–
Release of premium on prepaid lease payments	–	25
Release of prepaid lease payments	–	7,870
Share of results of joint ventures	9,928	1,650
Share of results of associates	16,717	(15,902)
Operating cash flows before movements in working capital	319,728	382,551
(Increase) decrease in inventories	(519,811)	401,138
Increase in trade and other receivables	(494,637)	(494,701)
Increase in bills receivables at FVTOCI *(note)*	(5,847,715)	(3,697,983)
(Decrease) increase in trade and other payables	(453,763)	213,220
Increase in contract liabilities	242,793	26,776
Decrease in provision for warranty	(41,760)	(23,414)
Cash used in operations	(6,795,165)	(3,192,413)
Income tax refund (paid)	22,137	(53,455)
NET CASH USED IN OPERATING ACTIVITIES	(6,773,028)	(3,245,868)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		(3,922,871)	(2,033,281)
Purchase of property, plant and equipment		(487,754)	(574,311)
Deposits paid for acquisition of property, plant and equipment		(299,202)	(325,105)
Investments in associates		(60,000)	(100,000)
Net cash outflow on acquisition of assets through acquisition of a subsidiary	37	–	(113,106)
Acquisition of a subsidiary	38	–	(13,756)
Addition of prepaid lease payments		–	(11,786)
Investments in joint ventures		(64,000)	(24,800)
Withdrawal of pledged bank deposits		4,259,265	1,584,353
Proceeds from disposal of property, plant and equipment		387,022	297,977
Proceeds from government grant		89,162	17,630
Bank interest income received		37,404	50,506
NET CASH USED IN INVESTING ACTIVITIES		(60,974)	(1,245,679)
FINANCING ACTIVITIES			
Advances drawn on bills receivables *(note)*		5,960,525	3,553,616
Bank and other borrowings raised		1,665,310	759,779
(Repayment to) advances from Guangxi Automobile Group (included in other payables)		(34,893)	53,534
Capital injection from a non-controlling interest		35,907	500
Repayment of bank borrowings		(773,295)	(496,790)
Interest paid		(69,647)	(42,628)
Dividend paid		(9,164)	(21,622)
Dividend paid to non-controlling interests		(35,630)	(46,238)
Payment of lease liabilities		(38,904)	–
NET CASH FROM FINANCING ACTIVITIES		6,700,209	3,760,151
NET DECREASE IN CASH AND CASH EQUIVALENTS		(133,793)	(731,396)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		974,697	1,706,780
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		(2,848)	(687)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		838,056	974,697

note: An increase in bills receivables at FVTOCI of RMB5,847,715,000 (2018: RMB3,697,983,000) and advance drawn on bills receivables of RMB5,960,525,000 (2018: RMB3,553,616,000) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

1. GENERAL INFORMATION

Wuling Motors Holdings Limited (the "Company") is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate parent is Wuling HK and its ultimate parent is Guangxi Automobile. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the "Group") are engaged in the manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of steels, and provision of water and power supply. The details of its principal subsidiaries are disclosed in note 50.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceeded its current assets by approximately RMB1,304,476,000 (2018: approximately RMB1,543,517,000) as at 31 December 2019. The directors of the Company are of the opinion that, after due and careful enquiry taking into account bank borrowings of RMB1,170 million obtained, other borrowings of RMB200 million obtained from Guangxi Automobile and issuance of further bill payables by banks of RMB4,631 million up to 30 April 2020 together with the financial resources available to the Group, including internally generated funds, the available banking facilities up to the date of this report for issuance of bills payables, bank borrowings and the net proceeds from the Rights Issue (as defined in Note 51(i)), the Group has, in the absence of unforeseeable circumstances, sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

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

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

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 positions and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *Leases*

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

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 *Leases* (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019.

As at 1 January 2019, other than reclassification of prepaid lease payments and premium on prepaid lease payments of RMB340,492,000 and RMB798,000, respectively, the Group recognized lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedient to related leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts by excluding initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75% per annum.

	At January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	5,561
Lease liabilities discounted at relevant incremental borrowing rates	5,081
Less: Recognition exemption — low-value asset	(9)
Lease liabilities relating to operating leases recognized upon application of HKFRS 16 as at 1 January 2019	5,072
Analysed as:	
Current	1,671
Non-current	3,401
	5,072

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	*RMB'000*
Right-of-use assets relating to operating leases recognized upon application of HKFRS 16		5,072
Reclassified from prepaid lease payments and premium on prepaid lease payments	(a)	341,290
		346,362
By class:		
Leasehold lands		341,290
Buildings		5,072
		346,362

Note:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments and premium on prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments and non-current portion of premium on prepaid lease payments amounting to RMB7,840,000 and RMB332,652,000 and RMB798,000, respectively, were reclassified to right-of-use assets.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. However, the adjustment on discounting effect is insignificant to be recognized at the date of initial application, 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of HKFRS 16 as a lessor does not have a material impact on the retained profits at 1 January 2019 and the consolidated financial statements of the Group for the year ended 31 December 2019.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 *Leases* (Continued)

As a lessor (Continued)

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. However, the adjustment on discounting effect at initial recognition is insignificant to be recognized at the date of initial application, 1 January 2019.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Right-of-use assets	–	346,362	346,362
Prepaid lease payments	332,652	(332,652)	–
Premium on prepaid lease payments	798	(798)	–
CURRENT ASSETS			
Prepaid lease payments	7,840	(7,840)	–
CURRENT LIABILITIES			
Lease liabilities	–	1,671	1,671
NON-CURRENT LIABILITIES			
Lease liabilities	–	3,401	3,401

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New or revised amendments to HKFRSs that have been issued but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment” (“HKFRS 2”), leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or within the scope of HKAS 17 (before adoption of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets” (“HKAS 36”).

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred taxation assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 "Income Taxes" ("HKAS 12") and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit and loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under HKFRS 9 "Financial Instruments" ("HKFRS 9") would be accounted for on the same basis as would be required if the Group had disposed of directly of the previously held equity interest.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not longer than an operating segment.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) until disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers

Under HKFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a right to access technology knowhow that is distinct from other promised goods or services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

For granting of a right to access technology knowhow that is distinct from other promised goods or services, the nature of the Group's promise in granting a right to access technology knowhow is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the Company directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a right to access technology knowhow as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from sales of goods and trading of steels

Revenue from the sales of engines and engine related parts, automotive components and accessories and specialized vehicles, and trading of steels are recognized based upon goods/steels delivered, which is the point in time when the customer has the ability to direct the use of the goods/steels and obtain the control of the goods/steels.

Revenue from provision of services

Revenue from provision of water and power supply services is recognized over the period in which the services are rendered. The Group bills an amount for each month of services provided and recognizes as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Over time recognition: measurement of progress towards complete satisfaction of a performance obligation — output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Property, plant and equipment

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments/premium on prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

If an item of property, plant and equipment 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.

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

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

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Leases of low-value assets

The Group applies the recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for 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). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Right-of-use assets (Continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment properties are presented within "investment properties".

If an item 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.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option which is reasonably certain to be exercised by the Group; and

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Lease liabilities (Continued)

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (Continued)

Lease modifications (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from investment properties and property, plant and equipment are presented as revenue and other income, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3)

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

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

Retirement benefits costs and termination benefits

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Internally-generated intangible assets — research and development expenditures

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

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

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

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 "Business Combinations" ("HKFRS 3") applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Amortized cost and interest income*

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) *Bills receivables classified as at FVTOCI*

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these receivables are recognized in other comprehensive income and accumulated under the heading of debt instruments at FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these receivables had been measured at amortized cost. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) *Equity instrument designated as at FVTOCI*

Investment in equity instrument at FVTOCI is subsequently measured at fair value with gain and loss arising from changes in fair value recognized in other comprehensive income and accumulated in the equity instruments at FVTOCI reserve; and is not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, bills receivables at FVTOCI, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for related parties and credit-impaired debtors, and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk* (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" in accordance with globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings, where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for bills receivables that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account. For bills receivables that are measured at FVTOCI, the loss allowance is at recognized in other comprehensive income and accumulated in the debt instruments at FVTOCI reserve without reducing the carrying amount of these receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the debt instruments at FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the equity instruments at FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Classification as debt or equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Classification as debt or equity (Continued)

Financial liabilities at amortized cost

Financial liabilities of the Group (including trade and other payables, advances drawn on bills receivables discounted with recourse, bank and other borrowings and debt component of convertible loan notes) are subsequently measured at amortized cost, using the effective interest method.

Convertible loan notes contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognized at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortized cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognized in profit or loss.

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of engines, engine related parts, automotive components and accessories and specialized vehicles are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss on property, plant and equipment and right of use assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right of use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right of use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss on property, plant and equipment and right of use assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying the Group's accounting policies

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

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

Critical judgments in applying the Group's accounting policies (Continued)

Revenue recognition from sales of products with no alternative use at a point in time

Control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. The Group has considered the relevant local laws that apply to those relevant contracts. Based on the assessment of the Group's management, the terms of the relevant sales contracts do not create an enforceable right to payment for the Group after taking into consideration of indicators such as whether the right to payment for the Group for the performance completed to date include a reasonable profit margin. Accordingly, the sales of products with no alternative use is considered to be performance obligation satisfied at a point in time.

Key sources of estimation uncertainty

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

Estimated impairment of property, plant and equipment that has indication of impairment loss

Determining whether property, plant and equipment that has indication of impairment loss is impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which the property, plant and equipment that has indication of impairment loss has been allocated. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the property, plant and equipment using suitable discount rates. Key assumptions in estimating the value in use of the CGUs included discount rates, growth rates, budgeted sales and gross margins and their related cash inflow and outflow patterns of the respective CGUs. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. The management of the Group also engage an independent valuer to carry out valuation of the value in use of the CGUs. Details of the recoverable amount calculation are disclosed in note 15.

As at 31 December 2019, the carrying amount of property plant and equipment is RMB3,380,575,000 (2018: RMB3,590,089,000), after taking into the account the impairment losses of RMB187,636,000 (2018: nil).

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables from related parties and credit-impaired trade receivables are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 24 and 47(ii).

As at 31 December 2019, the gross carrying amount of trade receivables is RMB3,328,278,000 (2018: RMB3,111,900,000) and allowance for credit losses of RMB64,427,000 (2018: RMB 57,924,000).

Depreciation of property, plant and equipment

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

As at 31 December 2019, the carrying amount of property, plant and equipment was RMB3,380,575,000 (2018: RMB3,590,089,000).

Provision for warranty

The Group makes warranty provision based on information available indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in note 31, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by the management. If the costs are settled for an amount greater than the management's estimation, a future charge to profit or loss will result. Likewise, if the costs are settled for an amount that is less that the estimation, a future credit to profit or loss will result.

As at 31 December 2019, the carrying amount of provision for warranty was RMB77,530,000 (2018: RMB119,290,000).

6. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue

	Notes	2019 RMB'000	2018 RMB'000
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 steels	(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
Timing of revenue recognition			
A point in time		14,042,540	14,976,037
Over time		181,401	143,928
Total		14,223,941	15,119,965
Geographical markets			
The PRC (excluding Hong Kong)		14,150,779	15,076,126
Others		73,162	43,839
Total		14,223,941	15,119,965

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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(ii) Performance obligations for contracts with customers

The Group sells engines, engines related parts, automotive components and accessories, steels and specialized vehicles and is engaged in the provision of water and power supply directly to customers.

Sales of engines, engines related parts and specialized vehicles

The revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the designated location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 to 180 days upon delivery. When the Group receives advances from customer before the sales recognized, this will give rise to contract liabilities until the revenue is recognized.

Sales-related warranties associated with the goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 consistent with its previous accounting treatment.

Sales of automotive components and accessories and trading of steels

The revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the designated location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 to 180 days upon delivery.

Provision of water and power supply

The Group derives its revenue from provision of water and power supply to ancillary facilities are recognized over time, which is to recognize on the basis of direct measurement of the value of services transferred to the customers to date. The management of the Group considered that this best depicts the Group’s performance in transferring control of services. The services are rendered directly with the customers. Contracts with the Group’s customers are agreed in fixed-price with terms from 1 month to 12 months.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of goods and services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue arising from rental of investment properties of RMB13,364,000 (2018: RMB154,000) are fixed lease payments.

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 engine 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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2019

	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 (loss) profit	(156,282)	48,068	81,123	1,118		(25,973)
Bank interest income						37,404
Change in fair value of derivative financial instrument						1,227
Change in fair value of financial assets at FVTPL						22,670
Change in fair value of financial liability at FVTPL						(2,384)
Central administrative costs						(40,992)
Share of results of associates						(16,717)
Share of results of joint ventures						(9,928)
Finance costs						(147,201)
Loss before taxation						(181,894)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2018

	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 described in note 4. 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, 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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 31 December 2019

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Assets					
Segment assets	2,861,815	7,210,308	3,349,926	289,796	13,711,845
Interests in joint ventures					160,316
Interests in associates					280,722
Equity instrument at FVTOCI					2,048
Financial assets at FVTPL					21,195
Pledged bank deposits					678,374
Bank balances and cash					838,056
Consolidated assets					15,692,556
Liabilities					
Segment liabilities	2,338,752	5,870,609	3,146,123	4,842	11,360,326
Bank and other borrowings					1,675,527
Amount due to an associate					50,000
Convertible loan notes					214,050
Financial liability at FVTPL					2,384
Tax payable					56,662
Deferred tax liabilities					28,284
Consolidated liabilities					13,387,233

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

At 31 December 2018

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Assets					
Segment assets	1,973,586	7,544,516	1,238,413	15,668	10,772,183
Interests in joint ventures					126,026
Interests in associates					237,439
Equity instrument at FVTOCI					2,048
Pledged bank deposits					1,014,768
Bank balances and cash					974,697
Consolidated assets					13,127,161
Liabilities					
Segment liabilities	1,482,565	6,952,031	1,133,424	12,440	9,580,460
Bank borrowings					759,779
Amount due to an associate					50,000
Convertible loan notes					179,505
Financial liability at FVTPL					1,475
Derivative financial instrument					1,224
Tax payable					52,701
Deferred tax liabilities					23,168
Consolidated liabilities					10,648,312

The assets of the Group are allocated based on the operations of the segments. However, interests in joint ventures, interests in associates, equity instrument at FVTOCI, financial assets at FVTPL, pledged bank deposits, and bank balances and cash are not allocated to the segments.

The liabilities of the Group are allocated based on the operations of the segments. However, convertible loan notes, financial liability at FVTPL, derivative financial instrument, bank borrowings, amount due to an associate, tax payable and deferred tax liabilities are not allocated to the segments.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

2019

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	240,959	604,684	105,987	–	951,630
Depreciation of property, plant and equipment	19,192	44,038	19,956	1,088	84,274
Impairment loss on property, plant and equipment	112,000	75,636	–	–	187,636
Depreciation of right-of-use assets	1,266	29,421	15,559	–	46,246
Loss on disposal of property, plant and equipment	2,188	7,168	3,128	–	12,484
Allowance for inventories	5,899	11,977	1,722	–	19,598
Impairment losses on trade receivables	10,135	12,537	5,855	–	28,527
Reversal of impairment loss on trade receivables	(958)	(714)	(584)	–	(2,256)
Research and development expenses	3,175	149,140	42,719	–	195,034
Fair value change of investment properties	–	–	–	(4,921)	(4,921)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2018

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	77,180	916,004	86,061	578	1,079,823
Depreciation of property, plant and equipment	61,549	106,406	8,490	91	176,536
Release of prepaid lease payments	869	7,001	–	–	7,870
Release of premium on prepaid lease payments	–	25	–	–	25
Gain on disposal of property, plant and equipment	(296)	(9,984)	(2,540)	–	(12,820)
Allowance for inventories	39,528	21,237	–	–	60,765
Impairment losses on trade receivables	500	–	–	–	500
Reversal of impairment loss on trade receivables	(3,641)	(95)	–	–	(3,736)
Research and development expenses	7,750	86,182	46,667	–	140,599
Increase in fair value of investment properties	–	–	–	(668)	(668)

Non-current assets

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

	2019 RMB'000	2018 RMB'000
The PRC (excluding Hong Kong)	4,381,568	4,456,194
Hong Kong	10,543	10,890
Indonesia	42,871	78,995
India	2,207	–
	4,437,189	4,546,079

Note: Non-current assets excluded financial instruments.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Information about a major customer

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

	2019 RMB'000	2018 RMB'000
Engines and related parts	1,065,246	884,089
Automotive components and other industrial services	5,772,347	8,195,767
Specialized vehicles	4,679	1,017
	6,842,272	9,080,873

7. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Details of other income are as follows:

	2019 RMB'000	2018 RMB'000
Sales of scrap materials, parts and others	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 *(note a)*	28,032	23,808
Income on use of technology knowhow *(note 29(b))*	1,466	1,467
Government grants *(note b)*	45,871	28,509
Others	9,896	6,863
	199,982	162,115

Notes:

(a) Machinery and other property rental income are fixed lease payments.

(b) Government grants mainly represent various industry-specific subsidies granted by the government authorities to reward the Group's effort for technological innovation with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

7. OTHER INCOME/OTHER GAINS AND LOSSES (Continued)

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

	2019 RMB'000	2018 RMB'000
Fair value change of investments 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, 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	(187,636)	–
Reversal of impairment loss on interest in a joint venture	–	8,000
Impairment on goodwill *(note 38)*	–	(8,943)
	(201,030)	48,490

8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interests on:		
— bank borrowings	41,967	31,106
— other borrowings *(note)*	14,886	–
— advances drawn on bills receivables *(note)*	46,636	66,592
— effective interest expenses on convertible loan notes *(note 33)*	39,729	35,407
— Lease liabilities	3,983	–
	147,201	133,105

note: During the year ended 31 December 2019, interest of RMB28,515,000 (2018: RMB39,908,000) and RMB14,886,000 (2018: Nil) were paid to Guangxi Automobile in respect of bills discounted to and loan advanced from it, respectively. Details of provision of the bill discounting facilities and other borrowings are set out in note 45(v) and note 32 respectively.

9. INCOME TAX CREDIT

	2019 RMB'000	2018 RMB'000
Tax (credit) charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	1,018	23,689
Withholding tax on dividend distribution	2,018	3,828
Overprovision in prior years	(21,212)	(29,088)
	(18,176)	(1,571)
Deferred tax *(note 35)*		
Current year	2,897	(2,890)
	(15,279)	(4,461)

9. INCOME TAX CREDIT (Continued)

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards except that Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors") are approved as enterprises that satisfied as High-New Technology Enterprises and entitled the preferential tax rate of 15% till 2021.

The EIT Law also requires withholding tax of 5% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders.

During the year, deferred tax of RMB5,059,000 (2018: RMB1,226,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charged to profit or loss accordingly.

Hong Kong

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

No provision for taxation in Hong Kong or in Indonesia has been made as the subsidiaries in these jurisdictions or the Company do not have any assessable profit for both years.

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

	2019 ***RMB'000***	2018 *RMB'000*
(Loss) profit before taxation	**(181,894)**	120,734
Tax at the domestic income tax rate of 25% *(Note)*	**(45,473)**	30,184
Tax effect of share of results of associates	**4,179**	(3,976)
Tax effect of share of results of joint ventures	**2,482**	413
Tax effect of expenses not deductible for tax purposes	**20,066**	22,994
Tax effect of deductible temporary differences not recognized	**45,562**	4,694
Tax effect of income not taxable for tax purposes	**(11,468)**	(14,548)
Tax effect of utilization of tax losses previously not recognized	**(522)**	(1,280)
Tax effect of tax losses not recognized	**6,445**	7,772
Tax effect of undistributed profits of the PRC subsidiaries	**5,059**	1,226
Effect of concession tax rates of subsidiaries	**(20,397)**	(18,410)
Effect of different tax rates of subsidiaries	**–**	(4,442)
Overprovision in prior years	**(21,212)**	(29,088)
Income tax credit for the year	**(15,279)**	(4,461)

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

Details of movements in deferred tax liabilities are set out in note 35.

10. (LOSS) PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
(Loss) profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments *(note 11)*	2,470	2,353
Other staff costs:		
Salaries, bonus and other benefits	915,174	744,797
Contributions to retirement benefit schemes, 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	46,246	–
Total depreciation	343,071	316,757
Less: Amounts capitalized in inventories	(225,292)	(140,221)
Total depreciation of property, plant and equipment, and right-of-use assets (included in selling and distribution costs, general and administrative expenses and research and development expenses)	117,779	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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

A) EXECUTIVE DIRECTORS

2019

	Yuan Zhijun *RMB'000* *(note 5)*	Lee Shing *RMB'000* *(note 1)*	Zhong Xianhua *RMB'000* *(note 3 and 5)*	Liu Yaling *RMB'000* *(note 2)*	Yang Jianyong *RMB'000* *(note 5)*	Wang Zhengtong *RMB, 000* *(note 4 and 5)*	Total *RMB'000*
Fees	–	1,353	–	240	–	–	1,593
Salaries and other benefits	–	375	–	–	–	–	375
Contributions to retirement benefit schemes	–	68	–	–	–	–	68
Sub-total	–	1,796	–	240	–	–	2,036

2018

	Yuan Zhijun *RMB'000* *(note 5)*	Lee Shing *RMB'000* *(note 1)*	Zhong Xianhua *RMB'000* *(note 5)*	Liu Yaling *RMB'000*	Yang Jianyong *RMB'000* *(note 5)*	Total *RMB'000*
Fees	–	1,300	–	182	–	1,482
Salaries and other benefits	–	381	–	8	–	389
Contributions to retirement benefit schemes	–	65	–	–	–	65
Sub-total	–	1,746	–	190	–	1,936

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

B) INDEPENDENT NON-EXECUTIVE DIRECTORS

2019

	Ye Xiang *RMB'000*	Wang Yuben *RMB'000*	Mi Jianguo *RMB'000*	Total *RMB'000*
Fees	180	127	127	434
Salaries and other benefits	–	–	–	–
Contributions to retirement benefit schemes	–	–	–	–
Sub-total	180	127	127	434

2018

	Ye Xiang *RMB'000*	Wang Yuben *RMB'000*	Mi Jianguo *RMB'000*	Total *RMB'000*
Fees	173	122	122	417
Salaries and other benefits	–	–	–	–
Contributions to retirement benefit schemes	–	–	–	–
Sub-total	173	122	122	417

The independent non-executive directors' emoluments shown above were for the services as directors of the Company.

note 1: Mr. Lee Shing is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as chief executive officer.

note 2: Ms. Liu Yaling retired as an executive director of the Company with effect from 14 June 2019.

note 3: Mr. Zhong Xianhua resigned as an executive director of the Company with effect from 28 February 2019.

note 4: Mr. Wang Zhengtong was appointed as an executive director of the Company with effect from 28 February 2019.

note 5: The emoluments (other than the directors' fees) of the directors or former directors who were directors and/or senior management of Guangxi Automobile were paid and borne by Guangxi Automobile.

12. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2018: one) was the director and also the chief executive officer of the Company whose emolument is included in the disclosure in note 11 above. The emoluments of the remaining four (2018: four) individuals who were senior management of the Group, are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	2,683	3,230
Bonus	93	89
Contributions to retirement benefit schemes	295	303
Total emoluments	3,071	3,622

The emoluments of the above highest paid employees who are not the directors of the Company were within the following bands:

	2019 Number of employees	2018 Number of employees
Nil to Hong Kong dollar ("HKD") 1,000,000	3	3
HKD1,500,001 to HKD2,000,000	1	1
	4	4

No emoluments were paid by the Group to the directors of the Company or the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2019 and 2018.

(b) Emoluments of senior management

Of the nine (2018: nine) senior management of the Group for the year ended 31 December 2019, four (2018: four) of the senior management are four (2018: four) of the top five highest paid individuals and the respective remuneration has been disclosed in note 12(a) above. The emoluments of the remaining five (2018: five) individuals for the year were within the following band:

	2019 Number of employees	2018 Number of employees
Nil to HKD1,000,000	5	5

13. DIVIDEND

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

Subsequent to the end of the reporting period, a final dividend of HKD0.3 cents per share amounting to approximately HKD9,225,000 (or equivalent to RMB8,247,000) in respect of the year ended 31 December 2019 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. (LOSS) EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
(Loss) earnings		
(Loss) earnings for the purpose of basic earnings per share ((loss) profit for the year attributable to owners of the Company)	(124,026)	70,673
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	N/A	35,407
Change in fair value of derivative financial instrument	N/A	(50,193)
Exchange loss on convertible loan notes and derivative financial instrument	N/A	9,800
(Loss) earnings for the purpose of diluted earnings per share	(124,026)	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	N/A	357,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,050,108	2,407,251

The computation of diluted loss per share for the year 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
AT COST								
At 1 January 2018	963,596	375	1,729,253	426,751	102,356	41,846	874,787	4,138,964
Exchange adjustments	–	41	–	14	26	–	–	81
Additions	22,559	545	57,393	78,815	5,615	3,219	846,572	1,014,718
Acquisition of subsidiaries	7,544	–	8,709	6,500	5,462	5,200	–	33,415
Disposals	(32,144)	–	(354,462)	(66,629)	(44,958)	(12,977)	–	(511,170)
Transfer	37,502	–	459,532	76,833	–	26,915	(600,782)	–
At 31 December 2018	999,057	961	1,900,425	522,284	68,501	64,203	1,120,577	4,676,008
Exchange adjustments	–	10	–	4	5	–	–	19
Additions	903	–	44,413	52,669	6,754	902	755,092	860,733
Disposals	(37,385)	(408)	(415,232)	(4,505)	(7,572)	(6,618)	–	(471,720)
Transfer	282,639	–	463,841	79,169	6,259	6,669	(838,577)	–
Transfer to investment properties	(202,178)	–	–	–	–	–	–	(202,178)
At 31 December 2019	1,043,036	563	1,993,447	649,621	73,947	65,156	1,037,092	4,862,862
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	189,754	375	637,768	111,434	30,052	25,734	–	995,117
Exchange adjustments	–	22	–	14	22	–	–	58
Provided for the year	53,760	45	199,670	42,188	13,416	7,678	–	316,757
Eliminated on disposals	(18,817)	–	(143,545)	(37,682)	(19,002)	(6,967)	–	(226,013)
At 31 December 2018	224,697	442	693,893	115,954	24,488	26,445	–	1,085,919
Exchange adjustments	–	3	–	4	4	–	–	11
Provided for the year	53,803	114	185,324	41,918	10,727	4,939	–	296,825
Impairment loss recognized in profit or loss	50,391	–	99,933	31,960	2,907	2,445	–	187,636
Eliminated on disposals	(74)	(408)	(58,040)	(3,284)	(6,302)	(4,106)	–	(72,214)
Elimination on transfer to investment properties	(15,890)	–	–	–	–	–	–	(15,890)
At 31 December 2019	312,927	151	921,110	186,552	31,824	29,723	–	1,482,287
CARRYING VALUE								
At 31 December 2019	730,109	412	1,072,337	463,069	42,123	35,433	1,037,092	3,380,575
At 31 December 2018	774,360	519	1,206,532	406,330	44,013	37,758	1,120,577	3,590,089

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

Buildings	Over the shorter of 30 years or the remaining lease terms
Leasehold improvements	Over the shorter of the lease terms and the useful life of 5 years
Plant and machinery	7% – 10% (2018: 10%)
Furniture, fixtures and equipment	15%–20%
Computers	10% – 33%
Motor vehicles	16% – 25%

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2019, the Group received government subsidy of RMB89,162,000 (2018: RMB17,630,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

The Group leases out machinery and other property (mainly warehouses which are classified as buildings) under operating leases with rentals payable monthly. The leases all run for a period of less than 1 year. None of the leases includes variable lease payments.

The carrying value of property, plant and equipment have been allocated to following units of groups of CGUs:

	2019 RMB'000	2018 RMB'000
Engines and related parts ("Unit A")	667,236	486,710
Automotive components and other industrial services ("Unit B"):		
— in the PRC operations	2,427,256	2,601,085
— in Indonesia operations	67,119	78,995
Specialized vehicles ("Unit C")	406,600	423,299
Less: impairment	(187,636)	–
	3,380,575	3,590,089

Due to the significant decrease in profit for the year ended 31 December 2019 and 2018, the management of the Group has identified certain property, plant and equipment has an indication of impairment loss. For the purposes of impairment assessment, the management of the Group estimated the recoverable amounts for property, plant and equipment that has indication of impairment loss with carrying amounts of RMB329,555,000, RMB1,921,617,000, RMB67,119,000 and RMB406,600,000 that have been allocated to Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively (2018: RMB315,677,000, RMB1,896,643,000 and RMB423,299,000 for Unit A, Unit B in the PRC operations and Unit C, respectively). The basis of the recoverable amounts of these property, plant and equipment and their principal underlying assumptions are summarized below.

The recoverable amounts of the above CGUs (as mentioned in the above paragraph) have been determined based on value in use calculations. That calculations use cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rates of 15.62%, 16.16%, 20.79% and 15.69% for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively (2018: 14.67%, 15.31% and 15.31% for Unit A, Unit B in the PRC operations and Unit C, respectively), determined using Capital Asset Pricing Model. The value in use calculations were determined by an independent valuer. The cash flows for the next five years are extrapolated using growth rate of 3%, 0% to 2%, 5% to 30% and 3% for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively (2018: 3%, 3% and 3% to 5% for Unit A, Unit B in the PRC operations and Unit C, respectively) per annum, while cash flows beyond the five-year period are all using a 2% or 3% growth rate. These growth rates are based on the forecasts of the relevant industries and do not exceed the average long-term growth rate for the relevant industries. Other key assumptions for the value in use calculations included budgeted sales and gross margins and their related cash inflows and outflows patterns, estimated based on the units' historical performance and management's expectation of the market development.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Based on the result of the assessment, the management of the Group determined that the recoverable amounts of the Unit A, Unit B in the PRC operations and Unit B in Indonesia operations are lower than their carrying amount. The impairment amount has been allocated to each category of property, plant and equipment, such that the carrying amount of each category of property, plant and equipment is not reduced below the highest of its fair value less cost of disposal, its value in use end zero. Based on the value in use calculation, impairment of RMB112,000,000, RMB51,388,000 and RMB24,248,000 (2018: nil) have been recognized against the carrying amount of property, plant and equipment on Unit A, Unit B in the PRC operations and Unit B in Indonesia operations, respectively. For Unit C, the management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of Unit C to fall below its respective carrying amount.

16. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
As at 1 January 2019			
Carrying amount	341,290	5,072	346,362
As at 31 December 2019			
Carrying amount	271,446	55,915	327,361
For the year ended 31 December 2019			
Depreciation charge	6,319	39,927	46,246
Expense relating to low-value assets *(note)*			9
Total cash outflow for leases			(42,896)
Additions to right-of-use assets			90,897

Note: The Group applies the recognition exemption of right-of-use assets for lease of low-value assets. Lease payments on leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Leasehold lands and buildings are depreciated on a straight line basis over the term of the leases.

For both years, the Group leases buildings for its operations. Lease contracts are entered into for fixed term of 12 months to 5 years (2018: 12 months to 3 years) for buildings, and 40 to 50 years for leasehold lands. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

17. PREPAID LEASE PAYMENTS

	2018 *RMB'000*
At 1 January	304,886
Acquisition of assets through acquisition of a subsidiary *(note 37)*	31,690
Additions	11,786
Released to profit or loss	(7,870)
At 31 December	340,492
Analyzed as:	
Current portion	7,840
Non-current portion	332,652
	340,492

As at 31 December 2018, the amounts represent upfront payments for the right to use land under medium-term lease in the PRC for periods between 40 to 50 years.

18. PREMIUM ON PREPAID LEASE PAYMENTS

As at 31 December 2018, the amount represents the fair value adjustment on the prepaid lease payments through acquisitions of subsidiaries in prior years and is released over the lease term of the related prepaid lease payments on a straight-line basis.

19. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2018	9,086
Exchange adjustments	523
Increase in fair value recognized in profit or loss	668
At 31 December 2018	**10,277**
Transfer from property, plant and equipment and right of use assets	**272,200**
Exchange adjustments	**177**
Increase in fair value recognized in profit or loss	**4,921**
At 31 December 2019	**287,575**

	2019 ***RMB'000***	2018 *RMB'000*
Investment properties located in		
PRC	**277,500**	–
Hong Kong	**10,075**	10,277

19. INVESTMENT PROPERTIES (Continued)

notes:

(i) All of the Group's investment property interests held to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The Group's investment properties are situated in Hong Kong and the PRC (2018: Hong Kong), and held under medium-term lease.

The Group leases out industrial and residential properties (2018: residential properties) under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 5 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of the group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

(ii) The fair value of the Group's investment properties as at 31 December 2019 and 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected to the Group.

For the investment properties in Hong Kong, the valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. There has been no change from the valuation technique used for the investment properties situated in Hong Kong in prior year. For the investment properties in the PRC, the valuation was made with reference to depreciated replacement cost approach.

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

One of the key inputs used in valuing the investment properties in Hong Kong was the price per square feet. For the two investment properties situated in Hong Kong, they ranged from RMB5,534 to RMB7,484 and RMB2,149 to RMB2,503 (2018: RMB4,952 to RMB6,459 and RMB1,996 to RMB2,472), respectively. A slight increase in the price per square feet used would results in significant increase in fair value adjustment of the respective investment properties and vice versa.

For the investment properties situated in the PRC, details of significant unobservable input are as follows:

Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Construction cost per square meter — Based on the type of building structure and taking into account market date on current construction costs for similar properties located in nearby cities	RMB2,888	The higher the construction cost per square meter, the higher-the fair value
Economic life of buildings — Taking into account the estimated useful life of buildings depending on the building structure	Over the remaining lease terms	The longer the useful life, the higher the fair value

The fair value hierarchy of the Group's investment properties as at 31 December 2019 are categorized as Level 3.

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

20. INTERESTS IN ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE

Amount due to an associate

The balance was due to Faurecia (Liuzhou) Automotive Interior Systems Co., Limited ("FL Interior"), which was unsecured, interest-free and repayable in five years.

Interests in associates

	2019 RMB'000	2018 RMB'000
Cost of unlisted investments in associates	285,000	225,000
Share of post-acquisition (loss) profit and other comprehensive (expense) income	(4,278)	12,439
	280,722	237,439

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group 2019	Proportion of ownership interest held by the Group 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activities
佛吉亞(柳州)汽車座椅有限公司 Faurecia (Liuzhou) Automotive Seating Co., Limited ("FL Seating")	The PRC	50% (note)	50%	42.86%	42.86%	Manufacture and sale of accessories of motor vehicles
FL Interior	The PRC	50% (note)	50%	40.00%	40.00%	Manufacture and sale of accessories of motor vehicles
佛吉亞(柳州)排氣控制技術有限公司 Faurecia (Liuzhou) Emissions Control Technologies Co., Ltd. ("FL Emissions")	The PRC	50% (note)	–	40.00%	–	Manufacture and sale of accessories of motor vehicles

Note: In accordance with the memorandum and articles of the entities, relevant activities of the entity requires consent with simple majority in the board of directors. The Group is able to appoint three out of seven directors, two out of five directors and two out of five directors in the board of the FL Seating, FL Interior and FL Emissions, respectively, thus the Group is only able to exercise significant influence in the entities. As a result, FL Seating, FL Interior and FL Emissions are accounted for as associates at the end of the reporting period.

20. INTERESTS IN ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE (Continued)

Summarized financial information of the Group's associates

Summarized financial information in respect of the Group's associates are set out below.

The associates are accounted for using the equity method in the consolidated financial statements.

	2019			2018		
	FL Seating RMB'000	FL Interior RMB'000	FL Emissions RMB'000	FL Seating RMB'000	FL Interior RMB'000	FL Emissions RMB'000
Financial information of statement of profit or loss and other comprehensive income						
Revenue	603,570	487,058	424,757	702,615	358,401	–
(Loss) profit and total comprehensive (expense) income for the year	(18,444)	778	(15,768)	14,090	17,714	–
(Loss) profit and total comprehensive (expense) income for the year attributable to the Group	(9,222)	389	(7,884)	7,045	8,857	–
Dividends received from associates during the year	–	–	–	–	–	–
Financial information of statement of financial position						
Non-current assets	90,420	179,427	63,724	75,352	297,958	–
Current assets	500,502	485,265	296,707	311,637	320,175	–
Current liabilities	(452,942)	(345,105)	(256,199)	(230,565)	(299,546)	–
Non-current liabilities	–	(356)	–	–	(134)	–
Net assets of the associates	137,980	319,231	104,232	156,424	318,453	–
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	174,281	126,563	6,980	135,888	30,562	–
Current financial liabilities (excluding trade and other payables and provisions)	–	(42,000)	–	–	–	–
Reconciliation to the carrying amounts of interests in the associates:						
Net assets attributable to the equity holders of the associates	137,980	319,231	104,232	156,424	318,453	–
Proportion of the Group's ownership interests in the associates	50%	50%	50%	50%	50%	–
Net assets of interests in the associates attributable to the Group	68,990	159,616	52,116	78,212	159,227	–
Carrying amounts of the Group's interests in the associates	68,990	159,616	52,116	78,212	159,227	–

21. INTERESTS IN JOINT VENTURES

	2019 *RMB'000*	2018 *RMB'000*
Cost of unlisted investments in joint ventures	206,200	162,000
Share of post-acquisition loss and other comprehensive expense	(45,884)	(35,974)
	160,316	126,026

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

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2019	2018	2019	2018	
柳州菱特動力科技有限公司 Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte")	The PRC	51% *(note)*	51%	60%	60%	Manufacture of engines
柳州美橋汽車傳動系統有限公司 Liuzhou AAM Automotive Driveline Systems Co., Limited ("Liuzhou AAM")	The PRC	50% *(note)*	50%	50%	50%	Manufacture and sale of automotive components

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

21. INTERESTS IN JOINT VENTURES (Continued)

Summarized financial information of material joint ventures

Summarized financial information in respect of the Group's material joint ventures is set out below.

All of these joint ventures are accounted for using the equity method in the consolidated financial statements.

	2019		2018	
	Liuzhou Lingte	Liuzhou AAM	Liuzhou Lingte	Liuzhou AAM
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial information of statement of profit or loss and other comprehensive income				
Revenue	8,159	26,275	5,035	9
Loss and total comprehensive expense for the year	(12,159)	(16,727)	(9,872)	(5,068)
Loss and total comprehensive expense for the year, attributable to the Group	(6,201)	(8,364)	(5,035)	(2,534)
Dividends received from joint ventures during the year	–	–	–	–
The above financial information include the following:				
Depreciation and amortization	(7,542)	(2,245)	(3,905)	(2)
Interest income	33	–	38	–

21. INTERESTS IN JOINT VENTURES (Continued)

Summarized financial information of material joint ventures (Continued)

	2019		2018	
	Liuzhou Lingte RMB'000	Liuzhou AAM RMB'000	Liuzhou Lingte RMB'000	Liuzhou AAM RMB'000
Financial information of statement of financial position				
Non-current assets	230,545	80,042	225,977	2,424
Current assets	32,922	53,279	17,314	6,176
Current liabilities	(44,374)	(16,915)	(35,739)	(3,668)
Non-current liabilities	(37,425)	–	(12,320)	–
Net assets of the joint ventures	181,668	116,406	195,232	4,932
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	5,206	26,054	8,083	5,695
Current financial liabilities (excluding trade and other payables and provisions)	(22,800)	–	(12,800)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(20,000)	–	(12,320)	–
Reconciliation to the carrying amounts of interests in the joint ventures:				
Net assets attributable to the equity holders of the joint ventures	181,668	116,406	195,232	4,932
Less: Capital reserve not shared by the Group	(46,372)	–	(46,372)	–
Proportion of the Group's ownership interests in the joint ventures	51%	50%	51%	50%
Net assets of interests in joint ventures attributable to the Group	69,001	58,203	75,919	2,466
Carrying amounts of the Group's interests in the joint ventures	69,001	58,203	75,919	2,466

21. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material

	2019 RMB'000	2018 RMB'000
The Group's share of profit and total comprehensive income	4,637	5,919
Aggregate carrying amount of the Group's interests in joint ventures	33,112	47,641

22. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Unlisted investment:		
— Equity security	2,048	2,048

The above unlisted equity investment represents the Group's 0.18% (2018: 1.47%) equity interest in 福建新龍馬發動機有限公司 ("New Long Ma"), a private entity established in the PRC, which is engaged in manufacturing and trading of engine and related parts. The directors of the Company have elected to designate this investment in equity instrument as at FVTOCI as it is not held for trading.

23. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	679,129	562,222
Work in progress	339,038	151,173
Finished goods	650,568	229,835
	1,668,735	943,230

During the year ended 31 December 2019, the cost of inventories recognized as an expense and included in "Cost of sales and services" in the consolidated statement of profit and loss and other comprehensive income amounted to RMB12,907,174,000 (2018: RMB13,721,441,000). Included in cost of inventories recognized as an expense of RMB19,598,000 (2018: RMB60,765,000) is the allowances for inventories recognized during the year ended 31 December 2019.

24. TRADE AND OTHER RECEIVABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables:			
— SAIC-GM-Wuling Automobile Co., Limited ("**SGMW**")	(a)	2,253,891	2,008,836
— Guangxi Automobile Group	(b)	47,914	77,300
— Guangxi Weixiang Machinery Company Limited ("**Guangxi Weixiang**")	(c)	547	11
— Liuzhou AAM	(c)	574	–
— FL Seating	(d)	2,556	146
— FL Interior	(d)	13,609	63,984
— FL Emissions	(d)	33,562	–
— third parties		975,625	961,623
		3,328,278	3,111,900
Less: Allowance for credit losses		(64,427)	(57,924)
		3,263,851	3,053,976
Other receivables:			
Prepayments for expenses		1,904	606
Prepayments for purchase of raw materials	(e)	583,153	391,504
Value-added tax recoverable		158,598	51,623
Others		30,118	71,549
		773,773	515,282
Less: Allowance for credit losses		(1,803)	(1,301)
		771,970	513,981
Total trade and other receivables		4,035,821	3,567,957

24. TRADE AND OTHER RECEIVABLES (Continued)

notes:

(a) Guangxi Automobile has significant influence over SGMW.

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

(c) Guangxi Weixiang and Liuzhou AAM are joint ventures of the Group.

(d) FL Seating, FL Interior and FL Emissions are associates of the Group.

(e) Included in the balance was an amount of RMB37,050,000 (2018: RMB40,569,000) paid to SGMW.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB2,238,596,000.

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

Included in the trade and other receivables are trade receivables of RMB3,263,851,000 (2018: RMB3,053,976,000) and an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date is as follows:

	2019 *RMB'000*	2018 *RMB'000*
0–90 days	**3,159,976**	2,981,408
91–180 days	**37,783**	26,813
181–365 days	**27,370**	19,920
Over 365 days	**38,722**	25,835
	3,263,851	3,053,976

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB103,875,000 (2018: RMB89,593,000) which are past due at the end of the reporting period. Out of the past due balances, RMB78,493,000 (2018: RMB62,779,000) has been past due 90 days or more and is not considered as in default since these balances could be recovered based on the repayment history and the current creditworthiness of these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2019 are set out in note 47(ii).

25. BILLS RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Bills receivables *(note i)*:		
— SGMW	241,789	54,500
— Guangxi Automobile Group	108	840
— third parties	539,165	885,542
	781,062	940,882
Bills receivables discounted with recourse *(note ii)*	3,230,076	1,129,660
	4,011,138	2,070,542

notes:

(i) Bills receivables represent bills received from customers to settle the trade receivables. The Group allows an average credit period of 90 days to 180 days for sales of goods to these customers. The aged analysis based on the invoice date is as follows:

	2019 RMB'000	2018 RMB'000
0–90 days	634,127	940,882
91–180 days	138,826	–
181–365 days	8,109	–
	781,062	940,882

(ii) The amounts represent bills receivables discounted to banks or Guangxi Automobile with recourse with a maturity period of less than 180 days. The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 32.

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

	2019 RMB'000	2018 RMB'000
0–90 days	1,527,065	561,903
91–180 days	1,700,543	567,757
181–365 days	2,468	–
	3,230,076	1,129,660

Details of impairment assessment of bills receivables at FVTOCI are set out in note 47(ii).

26. TRANSFERS OF FINANCIAL ASSETS

The following are the Group's financial assets as at 31 December 2019 and 2018 that are transferred to banks or Guangxi Automobile by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing. These financial assets are carried at fair value in the Group's consolidated statement of financial position.

Bills receivables discounted to banks or Guangxi Automobile with full recourse:

	2019 *RMB'000*	2018 *RMB'000*
Fair value of transferred assets *(note)*	**3,230,076**	1,129,660
Carrying amount of associated liabilities	**(3,250,263)**	(1,142,306)
Net position	**(20,187)**	(12,646)

Note: The fair value of transferred assets as at 31 December 2019 included an accumulated fair value loss of RMB30,274,000 (2018: RMB22,359,000).

27. PLEDGED BANK DEPOSITS/BANK BALANCES

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

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

	Fixed/variable	**2019**	2018
Pledged deposits	Fixed	**1.10%–1.73%**	1.10%–1.69%
Bank balances	Fixed/Variable	**0.30%–3.20%**	0.35%–3.20%

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 47(ii).

28. TRADE AND OTHER PAYABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade and bills payables:	(a)		
— SGMW		841,627	1,028,911
— Guangxi Automobile Group		46,077	54,952
— FL Seating		118,878	28,521
— FL Interior		42,864	160,536
— FL Emissions		14,141	–
— Other related companies		29	–
— third parties		5,646,425	5,584,266
		6,710,041	6,857,186
Value added tax payables		190,869	255,050
Accrued research and development expenses		143,725	221,480
Accrued staff costs		209,087	212,973
Other tax payables		40,431	51,496
Payables for acquisition of property, plant and equipment		26,638	131,638
Deposits received from suppliers		50,568	64,781
Other payables	(b)	125,362	288,306
Total trade and other payables		7,496,721	8,082,910

Notes:

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

Trade payables

	2019 RMB'000	2018 RMB'000
0 to 90 days	3,133,208	3,449,761
91 to 180 days	327,970	122,893
181 to 365 days	235,622	41,533
Over 365 days	209,899	109,600
	3,906,699	3,723,787

Bills payables

	2019 RMB'000	2018 RMB'000
0 to 90 days	1,920,813	1,709,013
91 to 180 days	882,529	1,424,386
	2,803,342	3,133,399

(b) Included in other payables are amount due to Guangxi Automobile of RMB18,641,000 (2018: RMB53,534,000). The amount is non-trade nature, unsecured, interest free and repayable on demand.

29. CONTRACT LIABILITIES

	Notes	2019 RMB'000	2018 RMB'000
Sales of engines	(a)	16,997	5,438
Sales of specialized vehicles	(a)	449,344	216,644
Use of technology knowhow	(b)	12,406	13,872
		478,747	235,954
Current		466,341	222,082
Non-current		12,406	13,872
		478,747	235,954

As at 1 January 2018, contract liabilities amounted to RMB209,178,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

Revenue of RMB222,082,000 (2018: RMB193,839,000) has been recognized in current year that was included in the contract liabilities balance at the beginning of the year.

notes:

(a) The Group receives prepayments from customers when signing the sale and purchase agreements. This will give rise to contract liabilities at the execution of a contract, until the revenue is recognized on relevant contracts. The balance will be recognized as revenue for the year ending 31 December 2020 (2018: 31 December 2019). The increase in contract liabilities as at 31 December 2019 was mainly due to the increased advances from customers for sales of engines and specialized vehicles in the coming year.

(b) The Group has granted New Long Ma right to access certain technology knowhow of the Group in certain designated regions or countries for 15 years since 2013 at a consideration of RMB22,000,000. The balance is recognized as other income over 15 years when New Long Ma has been granted the right to access certain technology knowhow of the Group. An amount of RMB1,466,000 (2018: RMB1,467,000) is recognized during the year ended 31 December 2019 which was included in the contract liability balance at the beginning of the year.

30. LEASE LIABILITIES

	2019 *RMB'000*
Lease liabilities payable:	
Within one year	38,317
Within a period of more than one year but not more than two years	17,275
Within a period of more than two years but not more than five years	1,473
	57,065
Less: Amount due for settlement with 12 months shown under current liabilities	(38,317)
Amount due for settlement after 12 months shown under non-current liabilities	18,748

31. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2018	142,704
Additional provision in the year	10,282
Utilization of provision	(33,696)
At 31 December 2018	119,290
Additional provision in the year	18,844
Utilization of provision	(60,604)
At 31 December 2019	77,530

The Group provides warranty of certain periods to its customers on engines and engines related parts, automotive components and accessories and specialized vehicles, under which any product defects are repaired or replaced. The amount of the provision for the warranty is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

32. BANK AND OTHER BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	Notes	2019 RMB'000	2018 RMB'000
Bank borrowings		1,040,527	759,779
Other borrowings	(i)	635,000	–
		1,675,527	759,779
Analysis of bank and other borrowings:			
Secured		677	400,742
Unsecured		1,674,850	359,037
		1,675,527	759,779
The carrying amounts of the above borrowings are repayable:	(ii)		
Within one year		165,000	132,000
Within a period of more than one year but not exceeding two years		40,000	132,000
Within a period of more than two years but not exceeding five years		620,000	136,000
Within a period of more than five years		60,000	–
		885,000	400,000
The carrying amounts of bank loans that contain a repayable on demand clause (shown under current liabilities) but repayable:	(ii)		
Within one year		789,930	359,111
Within a period of more than one year but not exceeding two years		83	90
Within a period of two years but not exceeding five years		268	290
Within a period of more than five years		246	288
		790,527	359,779
Less: Amounts due within one year shown under current liabilities		(955,527)	(491,779)
Amounts shown under non-current liabilities		720,000	268,000
Advances drawn on bills receivables discounted with recourse	(iii)	3,250,263	1,142,306

32. BANK AND OTHER BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE (Continued)

Notes:

(i) The balance is due to Guangxi Automobile which is unsecured, carries variable interest at 4.51% per annum with reference to the prevailing lending rate quoted by The People's Bank of China, and repayable in five years.

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

(iii) The amount represents the Group's bank and other borrowings secured by bills receivables discounted to banks with recourse of RMB2,470,029,000 (2018: RMB828,240,000) carry fixed interest at 2.40% to 2.90% (2018: 3.30% to 3.70%) per annum and to Guangxi Automobile with recourse of RMB780,234,000 (2018: RMB314,066,000), carry fixed interest at 2.40% to 2.90% (2018: 3.30% to 3.70%) per annum (see note 25(ii)).

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

	2019	2018
Effective interest rate per annum:		
Fixed-rate borrowings	**2.76%–4.35%**	4.35%
Variable-rate borrowings	**3.00%–4.90%**	2.14%–4.22%

(v) The collaterals for the Group's secured bank borrowings are set out in note 41.

(vi) The Group's unsecured bank borrowings at 31 December 2019 was supported by corporate guarantee to the extent of RMB1,000,000,000 (2018: RMB2,721,000,000) given by Guangxi Automobile.

33. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 23 May 2017, the Company issued convertible loan notes with an aggregate principal sum of HKD400,000,000 at par (equivalent to approximately RMB353,760,000) to Wuling HK ("**CN 2020**"). Wuling HK is the immediate holding company of the Company. CN 2020 is denominated in HKD and carries interest at 4% per annum with maturity on 23 May 2020. CN 2020 entitles the holder to convert, in whole or in part, the principal sum into ordinary shares of the Company on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date, at a conversion price of HKD0.70 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2020 will be redeemed on maturity date at par.

CN 2020 contains two components, being a liability component and a conversion option derivative component. The effective interest rate of the liability component is 22.68%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

On 29 December 2017, Wuling HK converted the CN 2020 in the aggregate principal amount of HKD150,000,000 into shares of HKD0.004 each at the conversion price of HKD0.70 per share. Accordingly, an aggregate of 214,285,714 ordinary shares of HKD0.004 each were allotted and issued by conversion of the CN 2020.

33. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES (Continued)

The movement of the liability and derivative components of the CN 2020 during the year is set out below:

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
Carrying amount at 1 January 2018	146,677	50,560	197,237
Effective interest expenses	35,407	–	35,407
Coupon payment	(11,522)	–	(11,522)
Change in fair value recognized in profit or loss	–	(50,193)	(50,193)
Foreign exchange loss	8,943	857	9,800
At 31 December 2018	179,505	1,224	180,729
Effective interest expenses	39,729	–	39,729
Coupon payment	(8,811)	–	(8,811)
Change in fair value recognized in profit or loss	–	(1,227)	(1,227)
Foreign exchange loss	3,627	3	3,630
At 31 December 2019	214,050	–	214,050

	2019 RMB'000	2018 RMB'000
Analyzed of liability component of convertible loan notes as:		
Current	214,050	8,784
Non-current	–	170,721
	214,050	179,505

The methods and assumptions applied for the valuation of the liability and conversion option derivative components of CN 2020 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by BMI Appraisals Limited ("**BMI**"), a firm of independent professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 22.68%, which was determined with reference to the credit rating of the Company and remaining time to maturity.

33. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES (Continued)

(ii) Valuation of conversion option derivative component

The conversion option derivative component was measured at fair value using the Binomial Option Pricing Model by BMI as of 31 December 2018 and by Asset Appraisal Limited ("**AAL**") as of 31 December 2019. The inputs into the model at the respective dates were as follows:

	As at 31 December 2019	As at 31 December 2018
Share price	**HKD0.295**	HKD0.320
Conversion price	**HKD0.700**	HKD0.700
Risk free rate *(note a)*	**2.06%**	1.75%
Expected life	**0.39 year**	1.39 years
Expected dividend yield *(note b)*	**1.70%**	2.71%
Expected volatility *(note c)*	**35.99%**	34.14%

notes:

(a) The risk-free rate was determined with reference to the yield rate of the Hong Kong Government Note with duration similar to the expected life of the option.

(b) The expected dividend yield of the underlying security of the convertible loan notes was determined based on the historical dividend payment record of the Company.

(c) The expected volatility of the underlying security of the convertible loan notes was determined based on the historical volatility of the share prices of the Company.

34. FINANCIAL ASSETS/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS

	Current assets		Current liabilities	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Foreign currency forward contracts	**21,195**	–	**2,384**	1,475

Major terms of foreign currency forward contract is as follows:

Notional amount	Maturity	Forward exchange rate
As at 31 December 2019		
Current assets		
United States dollar ("USD") 55 million	**February 2020**	**Buy USD/sell RMB at 6.6932**
USD40 million	**April 2020**	**Buy USD/sell RMB at 6.7350**
Current liability		
USD10 million	**August 2020**	**Buy USD/sell RMB at 7.1657**
As at 31 December 2018		
Current liability		
USD50 million	May 2019	Buy USD/sell RMB at 6.6934

34. FINANCIAL ASSETS/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The above currency forward contract is measured at fair value with reference to discounted cash flow provided by AAL (2018: BMI). Future cash flows are estimated based on forward exchange rate (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

35. DEFERRED TAX LIABILITIES

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

	Revaluation of properties *RMB'000*	Tax losses *RMB'000*	Withholding tax on undistributed earnings of the PRC subsidiaries *RMB'000*	Total *RMB'000*
At 1 January 2018	3,606	(9)	22,461	26,058
Released upon distribution of dividends	–	–	(3,828)	(3,828)
(Credit) charge to profit or loss	(288)	–	1,226	938
At 31 December 2018	3,318	(9)	19,859	23,168
Released upon distribution of dividends	–	–	(2,018)	(2,018)
(Credit) charge to profit or loss	(144)	–	5,059	4,915
Revaluation resulting from the change from property, plant and equipment and right-of-use assets to investment properties	2,219	–	–	2,219
At 31 December 2019	5,393	(9)	22,900	28,284

notes:

(i) At the end of the reporting period, the Group had unused tax losses of RMB307,244,000 (2018: RMB283,552,000). A deferred tax asset has been recognized in respect of tax losses of RMB62,000 as at 31 December 2019 (2018: RMB62,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB307,182,000 (2018: RMB283,490,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB46,128,000 (2018: RMB32,568,000) that will expire by 2024 (2018: 2023). Other tax losses of RMB261,054,000 (2018: RMB250,922,000) may be carried forward indefinitely.

(ii) At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences mainly associated with impairment losses on trade receivables and property, plant and equipment amounting to RMB265,852,000 (2018: RMB51,443,000).

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

There was no other significant unprovided deferred taxation for the year or at the end of the reporting period.

36. 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 ***RMB'000***	2018 *RMB'000*
Shown in the consolidated financial statements at the end of the reporting period as	**7,366**	7,366

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 1 January 2018, the Group acquired 100% of the issued share capital of Qingdao Wuling Automobile Technology Limited ("**Qingdao Wuling**") for a cash consideration of RMB141,730,700 from Guangxi Automobile Group. The principal assets of Qingdao Wuling comprised properties located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC (中國青島市黃島區江山路西松花江路南側) which was leased by the Shangdong branch of Wuling Industrial as offices and production plants, cash and bank balances and certain receivable balances from Guangxi Automobile. This transaction had been accounted for as an acquisition of assets as the acquisition did not meet the definition of a business combination.

37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (Continued)

The net assets acquired in the transaction were as follows:

	RMB'000
Prepaid lease payments	31,690
Property, plant and equipment	22,089
Tax recoverable	865
Amount due from Guangxi Automobile Group	60,013
Bank balances and cash	28,625
Other payables	(1,551)
	141,731
Satisfied by:	
Cash consideration paid	141,731
Net cash outflow arising on acquisition:	
Cash consideration paid	(141,731)
Bank balances and cash acquired	28,625
	(113,106)

38. ACQUISITION OF A SUBSIDIARY

On 26 December 2017, Wuling Industrial entered into a sale and purchase agreement with independent third parties, pursuant to which Wuling Industrial conditionally agreed to purchase the remaining 49% of the issued share capital of Qingdao Dianshi Motor Accessories Company Limited ("**Qingdao Dianshi**"), a joint venture which Wuling Industrial previously held 51% equity interest at a consideration of RMB14,500,000. Accordingly, Qingdao Dianshi became a wholly-owned subsidiary of Wuling Industrial. The transaction was completed on 1 January 2018.

The fair values of the identifiable assets and liabilities of Qingdao Dianshi at the acquisition date were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment	11,326
Inventories	42,036
Trade and other receivables	3,637
Bank balances and cash	744
Trade and other payables	(46,129)
Tax payable	(274)
Total identifiable net assets at fair value	11,340

38. ACQUISITION OF A SUBSIDIARY (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,637,000, which is also the gross contractual amount at the date of acquisition. None of the contractual cash flows are expected not to be collected based on the best estimate at acquisition date.

	RMB'000
Consideration transferred, satisfied by:	
Cash	14,500
Fair value of 51% equity interest in Qingdao Dianshi	5,783
Less: Fair value of net assets acquired by the Group	(11,340)
Goodwill arising on acquisition *(note)*	8,943
Net cash outflow arising on acquisition:	
Cash consideration paid	(14,500)
Bank balances and cash acquired	744
	(13,756)

Since the acquisition, Qingdao Dianshi contributed RMB59,517,000 to the Group's revenue and generated a profit of RMB1,073,000 which was included in the Group's results for the year ended 31 December 2018.

note: Goodwill arising on acquisition of RMB8,943,000 has been directly impaired during the year ended 31 December 2018.

39. SHARE OPTION SCHEME

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

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

Purpose

Provide incentives and rewards to eligible participants.

39. SHARE OPTION SCHEME (Continued)

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

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

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

151,799,297 ordinary shares, being 10% of the issued share capital as at the date of refreshment of the limit of the granting of share option as approved by the shareholders of the Company on 5 June 2015, and representing approximately 7.4% of the total issued share capital as at 31 December 2019.

Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

39. SHARE OPTION SCHEME (Continued)

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

Amount payable on acceptance

HKD1.00

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

Not applicable.

Basis of determining the exercise price

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

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

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

(c) the nominal value of an ordinary share.

The remaining life of the scheme

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

(ii) During the year ended 31 December 2019 and 2018, no option is granted or outstanding under the Share Option Scheme.

40. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	235,068	228,199
— property, plant and equipment	38,269	465,574
	273,337	693,773

41. PLEDGE OF ASSETS

At the end of the reporting period, the Group's bank borrowings and bills payables were secured by the following:

	2019 RMB'000	2018 RMB'000
Bank deposits	678,374	1,014,768
Bills receivables	5,900	431,756
Investment properties	5,511	5,622
	689,785	1,452,146

As at 31 December 2019, bills receivables discounted with full recourse amounting to RMB3,230,076,000 (2018: RMB1,129,660,000).

42. RETIREMENT BENEFITS PLANS

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

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

The total cost charged to profit or loss of RMB65,750,000 (2018: RMB52,956,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2019.

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2019:

(i) Bills receivables discounted with recourse of RMB3,899,204,000 (2018: RMB2,755,417,000) has been netted off against advances drawn on bills receivables discounted with recourse when the bills receivables discounted with recourse have been settled;

(ii) Finance costs of RMB46,636,000 (2018: RMB66,592,000) has been netted off against advances drawn on bills receivables discounted when the bills receivables were discounted; and

(iii) During the year, the Group entered into new lease agreements for the use of leased properties for 3 years. On the lease commencement, the Group recognized of right-of-use assets of RMB90,897,000 and lease liabilities of RMB90,897,000.

44. OPERATING LEASES

The Group as lessor

Property rental income from investment properties earned during the year was RMB13,364,000 (2018: RMB154,000). The Group's investment properties is held for rental purpose. It is expected to generate rental yield of 5% (2018: 5%) on an ongoing basis. All investment properties held have committed tenants for the next one to four years (2018: next year).

Machinery and other property rental income earned during both years are disclosed in note 7(a). At 31 December 2019 and 2018, all machinery and other property held had no significant committed lessee.

Minimum lease payments receivable on leases are as follows:

	2019 *RMB'000*
Within one year	21,442
In the second year	6,989
In the third year	3,743
In the fourth year	3,600
	35,774

44. OPERATING LEASES (Continued)

The Group as lessor (Continued)

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

	2018 *RMB'000*
Within one year	122

The Group as lessee

Minimum lease payments made under operating leases during the year ended 31 December 2018 was RMB63,712,000.

At the end of 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 *RMB'000*
Within one year	1,680
In the second to fifth year inclusive	3,881
	5,561

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

45. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2019 RMB'000	2018 RMB'000
SGMW	Sales by the Group *(note 6)*	6,842,272	9,080,873
	Purchases of materials by the Group	5,580,053	4,762,125
Guangxi Automobile Group	Sales of:		
	Raw materials and automotive components by the Group *(note a)*	53,950	82,534
	Specialized vehicles by the Group *(note a)*	319	20,092
	Provision of water and power supply services by the Group *(note a)*	3,208	4,371
		57,477	106,997
	Purchase of:		
	Automotive components and other accessories by the Group *(note a)*	32,039	27,931
	Mini passenger buses by the Group *(note a)*	31,410	193,599
	Air-conditioning parts and accessories by the Group *(note a)*	1,864	2,596
		65,313	224,126
	Purchase of machinery and equipment by the Group *(note b)*	5,518	–
	License fee paid by the Group	1,226	1,226
	Rental income received by the Group	–	23,808
	Interest expenses on lease liabilities *(note a)*	3,466	–
	Lease liabilities	50,103	–
	Rental expenses paid by the Group (see vi below) *(note a)*	–	29,388
	Repayment of lease liabilities *(note a)*	28,134	–
	Interest expenses paid by the Group on advances drawn on bills receivables (see v below)	28,515	39,908
	Interest expenses paid by the Group on other borrowings (see ii below) *(note 32)*	14,886	–
	Acquisition of Qingdao Wuling *(note 38)*	–	141,731

45. RELATED PARTY DISCLOSURES (Continued)

(i) Related party transactions (Continued)

Company	Transactions	2019 *RMB'000*	2018 *RMB'000*
Guangxi Weixiang	Sales of steels and automotive components by the Group	3,424	20,688
	Purchase of automotive components and other accessories by the Group	1,064	183
FL Interior	Sales of automotive components by the Group	5,750	28,201
	Sales of property, plant and equipment by the Group	719	146,249
	Purchase of automotive components by the Group	–	358,401
	Rental of investment properties received by the Group	4,488	–
FL Seating	Sales of automotive components by the Group	1,544	66,238
	Sales of property, plant and equipment	10,192	35,615
	Purchase of automotive components by the Group	–	685,243
	Rental of investment properties received by the Group	1,827	–
FL Emissions	Sales of automotive components by the Group	255,088	–
	Sales of property, plant and equipment by the Group	45,436	–
	Purchase of automotive components by the Group	9,334	–
	Rental of investment properties received by the Group	2,223	–
上海詣譜自動化裝備有限公司 (Shanghai Yipu Automatic Equipment Co., Ltd*) ("Shanghai Yipu") *(note c)*	Purchase of machinery and equipment by the Group	72,527	29,241
	Purchase of toolings by the Group	15,715	–

45. RELATED PARTY DISCLOSURES (Continued)

(i) Related party transactions (Continued)

Notes:

(a) These transactions were considered as continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange. Details of these continuing connected transactions were described in the Report of the Directors under the heading "Continuing Connected Transactions" on pages 75 to 82 of this annual report.

(b) These purchase transactions referred to the connected transactions entered into between Wuling Industrial and 青島五順汽車模具有限公司 (Qingdao Wuzhun Car Molding Tool Parts Co., Limited), a company established in the PRC and held as to 70% by Guangxi Automobile amounting to RMB5,518,000, which details were described in "Connected Transactions" on pages 74 and 75 to this annual report.

(c) During the year, Shanghai Yipu, a company established in the PRC and held as to 55% by Guangxi Automobile, participated in various tenders, whether by public tender or private tender, invited by Wuling Industrial and its subsidiaries ("Wuling Industrial Group"), in relation to the supplying of different types of equipment and/or production line/toolings to the Wuling Industrial Group, as well as the provision of the services for the modification and/or upgrade projects of the existing equipment and/or production line/toolings undertaken by the Wuling Industrial Group. Among the tenders participated, Shanghai Yipu had been selected as the successful bidder for a number of 16 tenders in accordance with the Group's standard tender process and consequently entered into formal equipment purchase and service provision contracts with Wuling Industrial Group for an aggregate amount of RMB46,244,000, which details were described in "Continuing Connected Transactions" on pages 80 and 81 to this annual report.

(ii) Related party balances and other borrowings

Details of the Group's outstanding balances with related parties are set out in notes 20, 24, 25, 28 and 32.

(iii) Guarantees provided

The guarantees provided to the Group by Guangxi Automobile are set out in note 32(vi).

(iv) Compensation of key management personnel

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

	2019 RMB'000	2018 RMB'000
Short-term benefits	3,343	5,353
Post-employment benefits	377	389
	3,720	5,742

45. RELATED PARTY DISCLOSURES (Continued)

(v) Provision of facility

During the year, Guangxi Automobile agreed to provide a facility to the Group, whereby the Group could discount, its bills receivables to Guangxi Automobile to RMB4,600,000,000 (2018: RMB4,000,000,000). The discount rate per annum was the lowest discount rates offered by banks as obtained by the Group from time to time. During the year, the Group discounted bills receivables of RMB2,434,768,000 (2018: RMB2,691,924,000) to Guangxi Automobile with a maturity period less than 180 days and at an average discount rate of 3.16% (2018: 3.49%) per annum. Details of these bill discounting facilities were described in "Continuing Connected Transactions" on pages 79 and 80 to this annual report.

(vi) Commitments

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

	2018 *RMB'000*
Within one year	36,520
In the second to fifth year inclusive	73,040
	109,560

(vii) Convertible loan notes

Details of convertible loan notes issued to Wuling HK are set out in note 33.

46. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the advances drawn on bills receivables discounted with recourse and bank and other borrowings, amount due to an associate, and convertible loan notes as disclosed in notes 32 and 33, respectively, and equity attributable to owners of the Company, comprising issued capital and various reserves.

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

47. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2019 *RMB'000*	2018 *RMB'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	4,808,596	5,113,689
Bills receivables at FVTOCI	4,011,138	2,070,542
Equity instrument at FVTOCI	2,048	2,048
Financial assets at FVTPL	21,195	–
Financial liabilities		
Amortized cost	12,051,881	9,408,720
Derivative financial instrument	–	1,224
Financial liability at FVTPL	2,384	1,475

47. FINANCIAL INSTRUMENTS (Continued)

(ii) Financial risk management objectives and policies

The Group's major financial instruments are listed above. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Currency risk

Several subsidiaries of the Company have foreign currency sales, purchases, trade and other receivables, bank balances and cash, trade and other payables, convertible loan notes and bank borrowings which exposes the Group to foreign currency risk. Approximately 0.1% of the Group's sales are denominated in currencies other than the functional currency of the relevant group entities making the sale, whilst almost 99.9% of costs are denominated in the relevant group entity's functional currency.

In order to mitigate the currency risk, the Group has entered into a foreign currency contract to partially hedge USD against RMB. Details of the contract are set out in note 34. The Group regularly reviews the effectiveness of this instrument and the underlying strategies in monitoring currency risk.

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

	Assets		Liabilities	
	2019 **RMB'000**	2018 RMB'000	**2019** **RMB'000**	2018 RMB'000
HKD	**3,074**	2,539	**240,775**	211,331
USD	**22**	23	**732,501**	332,685

47. FINANCIAL INSTRUMENTS (Continued)

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

(a) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD and USD. 5% is the sensitivity rate used by the management for the assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2018: an increase in post-tax profit) where RMB strengthen 5% against the relevant currencies. For a 5% weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the loss (2018: profit) and the balances below would be negative.

	2019 RMB'000	2018 RMB'000
Impact on post-tax loss (2018: post-tax profit)		
— HKD	8,914	7,830
— USD	27,468	12,475

(b) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings due to the fluctuation of the prevailing market interest rate, and exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, advances drawn on bills receivables discounted with recourse, pledged bank deposits, bank balances, lease liabilities and convertible loan notes. The directors of the Company consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as interest bearing bank balances are within short maturity periods. It's the Group's policy to keep its borrowings at a mixture of floating rate and fixed rate of interest so as to minimize the fair value interest rate risk.

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings and London Interbank Offered Rate arising from the Group's USD denominated borrowings.

47. FINANCIAL INSTRUMENTS (Continued)

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

(b) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable-rate borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout both years in the case of instruments that have floating rates. A 50 basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 would increase by RMB5,384,000 (2018: post-tax profit would decrease by RMB1,349,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

(c) Other price risk

The Group's equity investment at FVTOCI and foreign currency forward contract at the end of the reporting period exposed the Group to other price risk. Details of which are set out in notes 22 and 34 respectively.

Sensitivity analysis

As the Group does not have a significant price risk exposure on its equity investment at FVTOCI, no sensitivity analysis for such equity investment is presented.

For the outstanding foreign currency forward contract, if the market forward exchange rate of RMB had strengthened/weakened against USD by 5% (2018: USD by 5%), the post-tax loss for the year ended 31 December 2019 would decrease/increase by RMB705,000 (2018: post-tax profit would decrease/increase by RMB55,000) as a result of the changes in the market foreign currency forward exchange rate of RMB against USD (2018: USD).

47. FINANCIAL INSTRUMENTS (Continued)

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

(d) Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimize credit risk, the management of the Group has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Independent companies are engaged to investigate the credibility of customers, and guarantees or pledges of assets provided by them on a needed basis. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade receivables individually for debtors from related parties and credit-impaired debtors, and based on provision matrix with appropriate groups. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 24) which represents 69% (2018: 66%) of the total trade receivables as at 31 December 2019. For both years, SGMW, which is a well-known car manufacturer in the PRC, and a company controlled by Shanghai Automobile Industry (Group) Company Limited, together with GM (China) Investment Co., Limited and Guangxi Automobile, both as non-controlling shareholders, has good financial position by reference to its respective financial statements, which are regularly reviewed by Guangxi Automobile. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In view of the significant balance due from SGMW, the Group has kept regular contact with SGMW for updated information. In addition, as Guangxi Automobile has representative in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

Pledged bank deposits and bank balances and cash

The credit risk on liquid funds is limited because the Group's pledged bank deposits, time deposits and bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

47. FINANCIAL INSTRUMENTS (Continued)

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

(d) Credit risk and impairment assessment (Continued)

Other receivables

The management of the Group regularly reviews and assesses the credit quality of the counterparties. The Group uses 12m ECL to assess the loss allowance of other receivables since they are not past due and there has not been a significant increase in credit risk since initial recognition.

Bills receivables at FVTOCI

The credit risk on bills receivables at FVTOCI is limited because the bills receivables are issued by banks with high credit ratings in the PRC.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

47. FINANCIAL INSTRUMENTS (Continued)

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

(d) Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2019	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
				2019		2018	
				RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables at FVTOCI	25	*(note 3)*	12m ECL	4,011,138	4,011,138	2,070,542	2,070,542
Financial assets at amortized cost							
Pledged bank deposits	27	*(note 3)*	12m ECL	678,374	678,374	1,014,768	1,014,768
Bank balances	27	*(note 3)*	12m ECL	838,031	838,031	974,608	974,608
Other receivables	24	*(note 1)*	12m ECL	30,118	30,118	71,549	71,549
Trade receivables — goods and services	24	*(note 2)*	Lifetime ECL (provision matrix)	959,128		1,312,623	
		Low risk	Lifetime ECL	2,352,653		1,758,937	
		Loss	Credit-impaired	16,497	3,328,278	40,340	3,111,900

47. FINANCIAL INSTRUMENTS (Continued)

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

(d) Credit risk and impairment assessment (Continued)

notes:

(1) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due/ no fixed repayment terms	Total	Past due	Not past due/ no fixed repayment terms	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	–	30,118	30,118	–	71,549	71,549

(2) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors from related parties or credit-impaired trade receivables, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating/past due status.

(3) The credit risk is limited because the counterparties are banks with high reputation.

Provision matrix — debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of miscellaneous customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at the end of the reporting period within lifetime ECL (not credit-impaired). Debtors from related parties or credit-impaired with gross carrying amounts of RMB2,352,653,000 (2018: 1,758,937,000) and RMB16,497,000 (2018: RMB40,340,000) respectively as at 31 December 2019 were assessed individually.

Gross carrying amount

	2019		2018	
	Average loss rate	Trade receivables	Average loss rate	Trade receivables
	%	RMB'000	%	RMB'000
Not past due	0.2	855,653	0.1	1,223,030
1–90 days past due	1.6	32,962	5.0	26,814
Over 90 days past due	45.2	70,513	23.9	62,779
		959,128		1,312,623

47. FINANCIAL INSTRUMENTS (Continued)

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

(d) Credit risk and impairment assessment (Continued)

notes: (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As at 1 January 2018	17,584	42,928	60,512
Impairment losses recognized	–	500	500
Impairment losses reversed	–	(3,736)	(3,736)
Exchange adjustments	–	648	648
As at 31 December 2018	17,584	40,340	57,924
Transfer	14,158	(14,158)	–
Impairment losses recognized	16,188	12,339	28,527
Impairment losses reversed	–	(2,256)	(2,256)
Write-offs	–	(19,829)	(19,829)
Exchange adjustments	–	61	61
As at 31 December 2019	47,930	16,497	64,427

The following table shows reconciliation of loss allowances that has been recognized for other receivables:

	12m ECL *RMB'000*
As at 1 January 2018 and 31 December 2018	1,301
Impairment losses recognized	502
As at 31 December 2019	1,803

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

47. FINANCIAL INSTRUMENTS (Continued)

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

(e) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on advances drawn on bills receivables discounted with recourse and also bank and other borrowings as significant sources of liquidity.

The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of the Group as at 31 December 2019 was RMB1,304,476,000 (2018: RMB1,543,517,000). In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 2.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

47. FINANCIAL INSTRUMENTS (Continued)

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

(e) Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instrument. The table was drawn up based on the undiscounted gross (inflows) and outflows on the derivative that required gross settlement. The liquidity analysis for the Group's derivative financial instrument were prepared based on the contractual maturities as the management considered that the contractual maturities were essential for an understanding of the timing of the cash flows of derivative.

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 Years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019								
Non-derivative financial liabilities								
Trade and other payables	–	3,596,066	1,851,460	1,414,515	–	–	6,862,041	6,862,041
Amount due to an associate	–	–	–	–	50,000	–	50,000	50,000
Convertible loan notes								
– fixed rate	4.00	–	–	220,439	–	–	220,439	214,050
Bank and other borrowings								
– variable rate	3.98	685,765	–	30,892	771,607	72,940	1,561,204	1,435,765
– fixed rate	3.89	104,762	–	138,917	–	–	243,679	239,762
Advances drawn on bills receivables discounted with recourse	2.73	1,536,029	1,722,907	2,542	–	–	3,261,478	3,250,263
		5,922,622	3,574,367	1,807,305	821,607	72,940	12,198,841	12,051,881
Lease liabilities	4.75	513	737	37,941	21,235	–	60,426	57,065
Derivative – net settlement								
Foreign currency forward contract		–	–	2,406	–	–	2,406	2,384

47. FINANCIAL INSTRUMENTS (Continued)

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

(e) Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2018							
Non-derivative financial liabilities							
Trade and other payables	–	3,832,947	1,665,771	1,778,412	–	7,277,130	7,277,130
Amount due an associate	–	–	–	–	50,000	50,000	50,000
Convertible loan notes							
— fixed rate	4.00	–	–	8,328	216,528	224,856	179,505
Bank borrowings							
— variable rate	3.20	359,779	–	–	–	359,779	359,779
— fixed rate	4.35	–	–	134,706	293,674	428,380	400,000
Other borrowings							
— advances drawn on bills receivables discounted with recourse	3.32	174,133	1,005,090	1,007	–	1,180,230	1,142,306
		4,366,859	2,670,861	1,922,453	560,202	9,520,375	9,408,720
Derivative — net settlement							
Foreign currency forward contract		–	–	1,475	–	1,475	1,475

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2019, the aggregate undiscounted principal amounts of these bank loans amounted to RMB790,527,000 (2018: RMB359,779,000). Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank borrowings would be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

47. FINANCIAL INSTRUMENTS (Continued)

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

(e) Liquidity risk (Continued)

	Maturity Analysis — Bank borrowings with a repayment on demand clause based on scheduled repayments					
	Less than 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash outflows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019	804,209	86	301	329	804,925	790,527
31 December 2018	360,051	91	292	290	360,724	359,779

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if actual changes in variable interest rates differ to those estimated at the end of the reporting period.

(iii) Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3 as set out in note 4) based on the degree to which the inputs to the fair value measurements is observable.

47. FINANCIAL INSTRUMENTS (Continued)

(iii) Fair value measurements of financial instruments (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at 31 December		Fair value hierarchy
	2019 RMB'000	2018 RMB'000	
Financial assets			
Bills receivables at FVTOCI *(note a)*	4,011,138	2,070,542	Level 2
Foreign currency forward contracts *(note b)*	21,195	–	Level 2
Financial liabilities			
Foreign currency forward contract *(note b)*	2,384	1,475	Level 2
Derivative component in relation to the convertible loan notes *(note c)*	–	1,224	Level 3

Notes:

(a) These financial assets are measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

(b) These financial assets and liability are measured at fair value determined by AAL (2018: BML) with reference to discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(c) As at 31 December 2019, the valuation technique adopted by AAL was Binomial Option Pricing Model whereas the key inputs to the valuation models included the share price, conversion price, risk free rate, expected life, expected dividend yield and expected volatility as disclosed in Note 33. The significant unobservable inputs in the valuation model included the expected volatility and the expected dividend yield. Both inputs were positively related to the fair value of the derivative component in relation to the convertible loan notes. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the derivative component in relation to the convertible loan notes would not be significant.

47. FINANCIAL INSTRUMENTS (Continued)

(iii) Fair value measurements of financial instruments (Continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 Measurements

The reconciliation of Level 3 measurements of the Group's financial instrument for the year ended 31 December 2019 is set out in note 33.

Fair value change of derivative financial instrument of RMB1,227,000 included in other gains and losses as disclosed in Note 7(b) relates to the derivative component in relation to the convertible loan notes held at the end of the current reporting period.

There were no transfers between different levels of the fair value hierarchy throughout the year.

(ii) Fair value of financial instruments that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities that are not measured at fair value on recurring basis but recorded at amortized cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings (Note 32) RMB'000	Other payables (Note 28(b)) RMB'000	Lease liabilities (Note 30) RMB'000	Interest payable (Note 33) RMB'000	Convertible loan notes (Note 33) RMB'000	Advances drawn on bills receivables discounted with recourse RMB'000	Dividend payable RMB'000	Amount due to non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	491,576	–	–	525	146,677	277,515	–	–	916,293
Financing cash flows	262,989	53,534	–	(31,106)	(11,522)	3,553,616	(21,622)	(46,238)	3,759,651
Dividend recognized as distribution	–	–	–	–	–	–	21,622	–	21,622
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	46,238	46,238
Foreign exchange loss, net	8,308	–	–	–	8,943	–	–	–	17,251
Net off of bills receivables discounted with recourse	–	–	–	–	–	(2,755,417)	–	–	(2,755,417)
Finance costs recognized	–	–	–	31,106	35,407	66,592	–	–	133,105
Exchange adjustments	(3,094)	–	–	(16)	–	–	–	–	(3,110)
At 31 December 2018	759,779	53,534	–	509	179,505	1,142,306	–	–	2,135,633
Adjustment upon application of HKFRS16	–	–	5,072	–	–	–	–	–	5,072
As at 1 January 2019	759,779	53,534	5,072	509	179,505	1,142,306	–	–	2,140,705
Financing cash flows	892,015	(34,893)	(42,887)	(56,853)	(8,811)	5,960,525	(9,164)	(35,630)	6,664,302
Dividend recognized as distribution	–	–	–	–	–	–	9,164	–	9,164
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	35,630	35,630
Foreign exchange loss, net	23,714	–	–	–	3,627	–	–	–	27,341
New lease entered	–	–	90,897	–	–	–	–	–	90,897
Net off of bills receivables discounted with recourse	–	–	–	–	–	(3,899,204)	–	–	(3,899,204)
Finance costs recognized	–	–	3,983	56,853	39,729	46,636	–	–	147,201
Exchange adjustments	19	–	–	–	–	–	–	–	19
At 31 December 2019	1,675,527	18,641	57,065	509	214,050	3,250,263	–	–	5,216,055

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2019 and 2018 is as follows:

	notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		404	519
Right-of-use assets		263	–
Unlisted investments in subsidiaries		981,519	993,829
		982,186	994,348
CURRENT ASSETS			
Amounts due from subsidiaries	(i)	18,813	13,754
Prepayments and deposits	(ii)	1,314	318
Bank balances and cash		2,919	1,543
		23,046	15,615
CURRENT LIABILITIES			
Other payables and accruals		2,377	2,272
Lease liabilities		269	–
Derivative financial instrument		–	1,224
Convertible loan notes		214,050	8,784
Bank borrowings		22,350	26,352
		239,046	38,632
NET CURRENT LIABILITIES		(216,000)	(23,017)
TOTAL ASSETS LESS CURRENT LIABILITIES		766,186	971,331
NON-CURRENT LIABILITIES			
Convertible loan notes		–	170,721
NET ASSETS		766,186	800,610
CAPITAL AND RESERVES			
Share capital		7,366	7,366
Reserves	(i)	758,820	793,244
TOTAL EQUITY		766,186	800,610

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

note:

(i) Reserves

	Share premium *RMB'000*	Contributed surplus *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2018	457,494	94,381	219,940	771,815
Profit and total comprehensive income for the year	–	–	43,051	43,051
Dividend paid	–	–	(21,622)	(21,622)
At 31 December 2018	457,494	94,381	241,369	793,244
Loss and total comprehensive expense for the year	–	–	(25,260)	(25,260)
Dividend paid	–	–	(9,164)	(9,164)
At 31 December 2019	457,494	94,381	206,945	758,820

The Company's contributed surplus represents (a) the excess of the fair values of the shares of the subsidiaries acquired pursuant to the reorganization on 30 November 1992, over the nominal value of the Company's shares issued in exchange therefore; (b) the transfer of the credit arising from the cancellation of the paid-up capital in the reduction of the par value of each issued ordinary share. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but is not presently qualified to do so; and (c) the transfer of the credit arising from the share premium and the absorption of accumulated losses on 27 May 2011.

50. PRINCIPAL SUBSIDIARIES

(i) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Class of shares held	Place and date of establishment/ incorporation	Nominal value of issued capital/ registered capital/ fully paid capital	Effective shareholding				Principal activities
				2019		2018		
				Direct %	Indirect %	Direct %	Indirect %	
Wuling Industrial	N/A	The PRC 30 October 2006 *(note iii)*	RMB1,203,706,746	60.90 *(note i)*	–	60.90 *(note i)*	–	Investment holding, manufacture and sale of automotive components and accessories specialized vehicles, trading of steels, and provision of water and power supply services
柳州五菱柳機動力有限公司 Liuji Motors	N/A	The PRC 16 June 1993 *(note iii)*	RMB100,125,389	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of petrol engines and motor cycles engines
無錫五菱動力機械有限責任公司	N/A	The PRC 15 July 2005 *(note iii)*	RMB6,000,000	–	41.41 *(note ii)*	–	41.41 *(note ii)*	Manufacture and sale of accessories of motor vehicles
柳州卓達汽車部件有限公司	N/A	The PRC 27 June 2011 *(note iii)*	RMB25,000,000	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of accessories of motor vehicles
柳州卓通汽車零部件有限公司	N/A	The PRC 21 November 2013 *(note iii)*	RMB10,000,000	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of accessories of motor vehicles
重慶卓通汽車工業有限公司	N/A	The PRC 19 May 2014	RMB150,000,000	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of accessories of motor vehicles

50. PRINCIPAL SUBSIDIARIES (Continued)

(i) General information of subsidiaries (Continued)

Name of subsidiary	Class of shares held	Place and date of establishment/ incorporation	Nominal value of issued capital/ registered capital/ fully paid capital	Effective shareholding				Principal activities
				2019		2018		
				Direct %	Indirect %	Direct %	Indirect %	
Pt. LZWL Motors Limited	N/A	Indonesia 17 March 2018	USD31,280,000	–	60.90 (note ii)	–	60.90 (note ii)	Manufacture and sale of accessories of motor vehicles
佛吉亞（柳州）排氣控制技術有限公司	N/A	The PRC 8 March 2019	RMB60,000,000	–	50% (note ii)	–	50% (note ii)	Manufacture and sale of automotive components

notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and Guangxi Automobile in 2007, the Company has control on Wuling Industrial, and the Company shares profit or loss of Wuling Industrial according to the amount of its paid up capital contribution in Wuling Industrial. The profit sharing ratio at 31 December 2019 of the Company and Guangxi Automobile in Wuling Industrial were 60.90% and 39.10% (2018: 60.90% and 39.10%), respectively.

(ii) This represents the effective interest held by the Company. These subsidiaries are held by the Group through Wuling Industrial.

(iii) The subsidiaries are all sino-foreign equity joint ventures.

(iv) None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

(v) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

50. PRINCIPAL SUBSIDIARIES (Continued)

(i) General information of subsidiaries (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are operated in the PRC. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries 2019	Number of subsidiaries 2018
Manufacture and sale of engines	The PRC	2	1
Manufacture and sale of specialized vehicles	The PRC	1	1
Manufacture and sale of automotive components and accessories	The PRC	4	4
Manufacture and sale of automotive components and accessories	India	1	1
Inactive	Hong Kong	6	6

(ii) Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019 %	2018 %	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Wuling Industrial	The PRC	39.10	39.10	(42,589)	54,522	994,719	1,035,210

50. PRINCIPAL SUBSIDIARIES (Continued)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarized financial information in respect of Wuling Industrial that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Wuling Industrial

	2019 RMB'000	2018 RMB'000
Current assets	11,278,386	8,576,606
Non-current assets	4,428,695	4,537,237
Current liabilities	12,316,698	9,873,790
Non-current liabilities	829,438	517,040
Equity attributable to owners of the Company	1,566,226	1,687,803
Non-controlling interests	994,719	1,035,210
Revenue	14,237,138	15,119,965
Expenses	14,346,061	14,994,034
(Loss) profit for the year	(108,923)	125,931
(Loss) profit attributable to owners of the Company	(66,334)	71,409
(Loss) profit attributable to non-controlling interests	(42,589)	54,522
Other comprehensive income (expense) attributable to owners of the Company	2,838	(15,362)
Other comprehensive income (expense) attributable to non-controlling interests	1,821	(5,283)
Other comprehensive income (expense)	4,659	(20,645)
Total comprehensive (expense) income attributable to owners of the Company	(63,496)	56,047
Total comprehensive (expense) income attributable to non-controlling interests	(40,768)	49,239
Total comprehensive (expense) income	(104,264)	105,286
Dividends paid to non-controlling interests	35,630	46,238
Net cash used in operating activities	(6,723,348)	(3,121,428)
Net cash used in investing activities	(222,096)	(1,083,182)
Net cash inflow from financing activities	6,809,266	3,578,965
Net cash outflow	(136,178)	(625,645)

51. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 January 2020, the Company announced that (i) the Company proposed to raise a total of approximately HK$205.01 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 HK$0.20 per rights share (the "Rights Issue"); (ii) Wuling HK and Dragon Hill Development Limited, both being substantial shareholders of the Company (with more than 10% of voting power 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 HK$200.01 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 HK$260.00 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, respectively 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 above mentioned had resumed operations and the management of the Group continues to closely monitor the situation and takes 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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman and Chief Executive Officer)*
Mr. Yang Jianyong
Mr. Wong Zhengtong *(appointed on 28 February 2019)*
Ms. Liu Yaling *(Retired on 14 June 2019)*
Mr. Zhong Xianhua *(Resigned on 28 February 2019)*

Independent Non-Executive Directors

Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo

AUDIT COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Wang Yuben
Mr. Mi Jianguo

REMUNERATION COMMITTEE

Mr. Mi Jianguo *(Chairman)*
Mr. Ye Xiang
Mr. Wang Yuben

NOMINATION COMMITTEE

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing
Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo

COMPANY SECRETARY

Mr. Lai Shi Hong Edward

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

SOLICITOR

Sidley Austin

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Dah Sing Bank, Limited

PRC

China Construction Bank Corporation
China Everbright Bank Co., Limited
Hua Xia Bank Co., Limited
Industrial Bank Co., Limited
China Marchants Bank Co., Ltd
Shanghai Pudong Development Bank Co., Ltd
China Citic Bank
Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
China Minsheng Bank Corp. Ltd
Bank of Communication Co., Ltd

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