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

(Incorporated in Bermuda with limited liability)

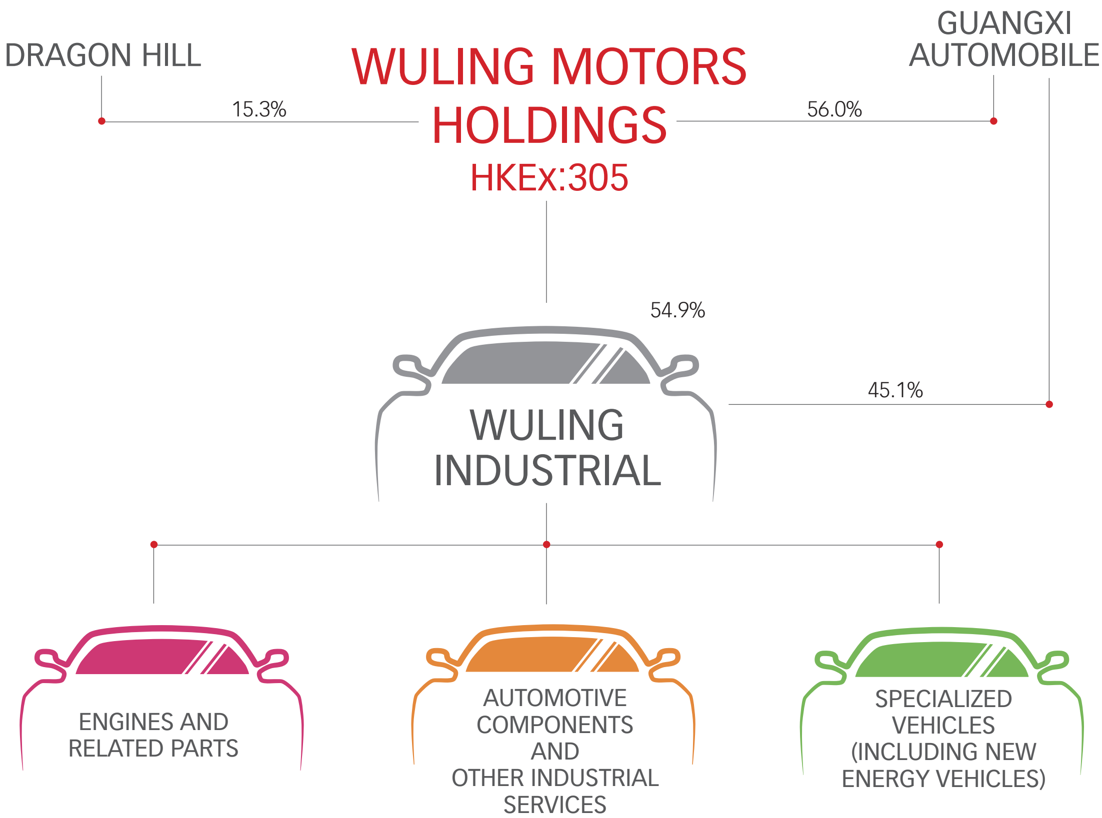
ANNUAL REPORT 2016

HKEx Stock Code：305

CORPORATE PROFILE

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

GROUP STRUCTURE



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Mr. Yuan Zhijun
Chairman

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Growth Amid Stability

PROGRESSING
With Determined Goals

ENHANCING
Quality and Efficiency

PROMOTING
Sustainable Development

PREFACE

2016 marked the inaugural year of the China's "13th Five Year Plan". With the market undergoing structural changes and the supply side also taking on fundamental reform measures, Wuling Motors Holdings Limited (hereinafter referred to as the "Company" or the "Group") had steadfastly upheld our operation principle motto of "Pursuing Growth Amid Stability, Progressing With Determined Goals, Enhancing Quality And Efficiency, Promoting Sustainable Development". We endeavored to enhance operational efficiency through continued upgrading and transforming our products as well as intensifying our effort on market expansion. The Group managed to withstand the tough challenges arising from the market conditions in an industry that had been progressing into a stage of minimal growth from a macro point of view. Our initiative to upgrade and transform had yielded remarkable results for the year ended 31 December 2016 with Group's revenue, Group's net profit and profit attributable to owners of the Company amounted to RMB16,677,695,000, RMB280,273,000 and RMB140,462,000 respectively representing respective increases of approximately 24%, 65% and 71% over the previous year.

REVIEW OF MAJOR ACHIEVEMENTS IN 2016

In 2016 the Group made ongoing and conscious effort in re-engineering the industry structure, pursued transformation and upgrade of our enterprises, consistently quested for adding more values to our products. Research and development capabilities of core products had been strengthened for enhancing our product competitiveness in expanding our markets. Considerable effort had also been committed towards setting up of management system automation with smart features to instill momentum into the new business model in a new market environment. We had also continued working on the "Three Restraining Measures" with reinforcement in risk control on properties safety and reinforcement in assets quality and their utilization efficiency. In such comprehensive way to fully prepare the Group under a new frame of enterprise structure, so as to attain a model that features "Multiple Growth Drivers With Diverse Profit Streams", thereby ensuring the Company to realize the motto of "Pursuing Growth Amid Stability, Progressing With Determined Goals". The salient aspects of the Company's results in 2016 were as follow:

I. Strategically Re-engineering Product Structure According to Market Trend in Quest for Continued Growth of the Automobile Manufacturing Business

1. Steady growth in the proportion of sales of the parts and components for passenger vehicles attributable to increases in the order allocations driven by technological innovation

The Group had worked diligently on reshuffling our parts and components product structure targeted at expanding our supplying businesses of parts and components for the passenger vehicles. The core competitive strength within such leading products as rear axles, rear torsion beam of passenger vehicles had been formed through innovation in technical standards, modification to standard production processes and application of robotic automated production lines and resulted in an optimization of the weighted structure of the parts and components products for the passenger vehicles and the increase in supplying services of the new model engine products. In 2016, sales of the automotive components and other industrial services division exceeded our annual target which amounted to RMB10,542,987,000, representing a year-on-year growth of 37.1%. During the year, the percentage share of the supplying businesses for the passenger vehicles had continued to rise. With bulk supply of parts and components, which covered the rear structure of vehicle body, fully assembled cockpit, sub-frame etc, being progressively and eventually made by the Group to customers in respect of their newly launched passenger vehicles, the percentage share of parts and components for passenger vehicles, as a result had raised to approximately 63% of the total revenue of the automotive components and other industrial services division. Meanwhile, the product added value of the Group's parts and components products had also increased consistently.

CHAIRMAN'S STATEMENT

2. Cautiously pursuing expansion with a reviving business trend of the engine division under the tough market situation

For the engine division, the Company sought to expand this market with a prudent and cautious manner and a customer-oriented approach. In 2016, capitalizing on a thriving passenger vehicles market, the Group registered a steady growth in the passenger vehicle engines segment. Taking the advantage of legislations such as on petroleum consumption, etc, the Group was able to sustain growth in revenue and gained additional orders for the passenger vehicles. Sales of engine sets and other related parts amounted to RMB3,869,040,000, representing a year-on-year increase of 6.9%. Sales volume reached 410,000 units, among which the new 1.8L engine which was specifically developed by the Group for the passenger vehicles had been put into mass production and supplied to customers in their new model automobiles during the year. Besides, prototype of the large and high power V6 model engines has also been built and production is scheduled to commence in 2017. The Company intended to supply this product for mini-buses, MPV and SUV.

3. Meticulous effort in identifying market opportunity and further breakthrough in car assembly operation

The Group took initiative to redefining the sale strategy and product mix of its car assembly segment in accordance with changing market demand. Coupled with development of new sales channel and optimization of after-sales service, we had effectively propelled the improvement in sales performance of the car assembly segment. In 2016, our specialized vehicle division achieved sales of RMB2,265,526,000, representing a year-on-year increase of 5.8%. Sales of redecorated vehicles continued to account for the majority portion of the division, with sales volume at approximately 43,000 units. As for the other vehicles segment, during the year, the Group had been actively launched new models which included the 23-seated gasoline tourist vehicle and the new M100 electric patrol cars, etc. Through the introduction of dealership as the sale channel, the division accomplished annual target and recorded full year sale volume of approximately 7,000 units, which was also a new sale record for the other vehicles segment. In addition, 82 units of "infantry carrier vehicles for emergency and riot control" (ICV) modified and manufactured based on the chassis of S100 highway bus had been delivered to the Guangxi Armed Police Corps in August 2016. This ICV represented the first domestic brand ICV in China that successfully obtained certification from the defense industry regime, overturning the long term dominance of the joint venture brands in this market. We anticipate more opportunities would be presented to Wuling brand vehicles from the defense industry system.

II. Exploring Opportunities Abroad and Creation of a New Frame of Enterprise Structure of "Multiple Growth Drivers with Diverse Profit Streams"

In recent years, the Group has been progressively expanding our manufacturing capacity from our production headquarter in Liuzhou as the cornerstone and gradually completed our other manufacturing bases located in Qingdao and Chongqing. Hence, the Group has been developed from having only a single production location into an inter-linking production setup with presence in three major geographical areas in China (i.e. southern, northern and western China). Construction work of the automotive parts and components production facilities in Chongqing was substantially completed, while the second phase development in relation to the production plants for plastic injection module and specialized vehicles were under construction. Meanwhile, in late 2016, construction work of the production facilities (Phase 3) for automotive parts and components for the passenger vehicles in the Liudong District, which is located at Hualing District, Liudong New Zone has also been duly commenced. It is expected the facilities will give a further boost to the capability of the Group in supplying parts and components to the passenger vehicles, reinforce the core competitive strength of our products and expedite the structural re-engineering and industrial innovation of the Group.

Furthermore, the Group also responded enthusiastically to "the Belt and Road" advocated by China by leveraging Guangxi's position as the significant gateway to the Marine Silk Road and the window of the ASEAN to go global and expand into overseas market along with our clients. Our Indonesia company was founded in March 2016 with planned aggregate investment of approximately RMB220,000,000 (inclusive of capital expenditure of approximately RMB170,000,000). This project would be focus on the manufacturing of chassis, welding related parts and components. Standard Operating Procedure is expected to commence in Indonesia by July 2017. Upon turning operational, the project would have an annual production volume of 100,000 units/sets of automotive parts and components such as welding components, rear axles, front axles and sub-frames, which will lay a solid foundation for the Group to expand into the overseas markets.

III. Establishing an Intelligent Production System to Pave the Way to Upcoming Development of Intelligent Manufacturing

According to the directing approach of "Made in China 2025", the Group has turned our main focus on enhancement of quality and efficiency, transformation and upgrade, and is working towards in-depth integration of information technology (IT) and industrialization to facilitate intelligent manufacturing and "Internet +". We have been actively learning from and studying the practical experiences of industrialization development and Industry 4.0 implemented by the leading enterprises and in refining our development philosophy. We strived to ensure that we would concentrate on the six IT supporting platforms which include the IT basic services coverage platform, R&D quality platform, operation and management platform, intelligent manufacturing platform, marketing and services platform and financial services platform. Currently, the Group had accomplished automation processes in majority of the production lines for the products such as rear axles, front axles, rear structure of vehicle body, cockpits and exhanst mufflers. The operations of nearly 60 automated production lines and approximately 500 robots by the Group, has marked the next chapter of the Group in pursuit of an intelligent production system.

IV. Operation Efficiency Oriented, Adhering to the Main Focus of Lean Management and Gradually Enhancing Efficiency

At the back of the results from efficiency enhancement exercises for the past four years, during the year, the Group furthered the efficiency enhancement programme in four aspects, which covered allocation of production capacity, on-site improvement efforts, suspension of operation for upgrading and implementation of automated procedures. The Group had fully commenced construction of the Wuling Lean Manufacturing System (LMS). Through benchmarking the Global Manufacturing System (GMS) with our main customer, SAIC-GM-Wuling Automobile Co., Limited ("SGWW"), the Group was able to nurture professional talents and strengthen the LMS team. Step-by-step, application of quality tools in the manufacturing system was being standardized, ensuring consistent product quality as well as progressively improving product competitiveness, so as to lay a solid foundation for undertaking new products in future. In this perspective, the Group conducted analyses on and made improvements to 13 selected types of main products from the factories of eight main locations. Company's value stream summary would be complied on a monthly basis. A total number of six Company's value stream work discussion sessions were organized throughout the year with continuous follow-ups and instructions being given to the respective factory for improve of its value stream work. In 2016, the on-schedule closure rate of quality issues related to new products under the category of automotive components was 95%, while the on-schedule closure rate of quality issues related to new products under the category of car assembly was 91%, thus effectively guaranteed customer satisfaction.

V. Prospect and Direction

Looking forward to 2017, the trend of slowdown in the growth of the automobile industry will continue with more uncertainties ahead in the market. Thus, we have to maintain our principal operating policy of "Pursuing Growth Amid Stability" by providing good customer service and giving prompt response to the market while focusing on meticulous management and accurately identifying customers' need, so as to lead the Group to success. While accelerating technological innovation and creating core products strategically, we will seize every possible market opportunity by actively exploring new markets, optimizing and expanding customers of the industry with a view to achieving comprehensive development of our businesses. In 2017, the Company's development effort will mainly focus on the following directions:

1. Diversify and expand our manufacturing operation boundary by launching new key automotive part and component products

As the main target product category of the Group in the future, parts and components for the passenger vehicles require developing breakthroughs by means of the combination of upgrading effort on products for the customers and exploring activities for the market. We will closely monitor the market demand for our parts and component products, especially the progress of the large-scale projects from major clients, focusing on the specialization and scalability of our top three component modules i.e. chassis, welding and internal and external decorations, in forming a solid platform for the Group's core parts and components with a comprehensive catalogue.

2. **Monitoring the development progress of significant projects to build a solid foundation for upgrade and transformation**

   We will continuously follow up progress of the constructions of the projects which include the second phase of the Chongqing production base for automotive components, the second and third phase of the Liudong production base of automotive components for passenger vehicles and the Indonesia base for automotive components. Meanwhile, we will continue the optimization exercises for our overall corporate layout in response to the needs for business development of the Group, in establishing the bases for the transformation of our manufacturing system towards the intelligent manufacturing direction.

3. **Carrying forward intelligent establishment to explore the possibilities for automobile industry chain in the new era**

   The Group's intelligent manufacturing plan during the "13th Five Year Plan" period is delineated around the Manufacturing Execution System ("MES") as core. We implement an integrated application of product R&D, manufacturing process design, finance and supply chain and industrial control system and intelligent equipment; centralize the management of fields such as intelligent logistics, intelligent production, intelligent equipment, intelligent inspection, etc.; and enables flexible customisation on a large scale to reduce manufacturing cost. Meanwhile, the Group will further eliminate traditional industrial barriers in the process of in-depth information and industrialization integration to establish a new operation model with internet technology, allowing for comprehensive supply chain business cooperation and digital management on e-commerce. Capitalising on the development opportunities of intelligent manufacturing service, we will pursue further progress in the automobile industry chain under the era of intelligent manufacturing and Internet-of-Things.

Looking forward, with the growing scale of emerging markets, the prospect of automobile industrial chain business which we have been committed to remains promising, giving us the confidence to endeavour in exploring an intelligent manufacturing model with low cost and high quality. We firmly believe that with the continuous supports from Guangxi Automobile, our ultimate controlling shareholder, customers and business partners, the Company will be able to maintain a healthy development, thus bringing satisfactory returns to every shareholder and staff as it is charting a path for a better future.

YUAN Zhijun
Chairman

28 March 2017

REPORT OF THE CEO

Identify Operation Targets
Optimize Management Structure
Enhance Product Structure

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

RESULTS AND PERFORMANCES

I am pleased to present the audited results of Wuling Motors Holdings Limited for the year ended 31 December 2016.

The automobile industry in China reinstated its momentum in 2016 buoyed by the resilient growth in the local economy and the supportive government policies. Total number of motor vehicles sold in China increased by an impressive 13.7% and reached 28 million for the full year. Adhering to our operating policies of "Pursuing Growth Amid Stability, Progressing With Determined Goals, Enhancing Quality And Efficiency, Promoting Sustainable Development", the Group managed to enhance quality and efficiency, continued to adjust its enterprise structure and promoted business transformation, successfully identifying new goals for strategic development without compromising the long-standing scale of operation and healthy growth. During the year ended 31 December 2016, the Group recorded total revenue of RMB16,677,695,000, representing an increase of 24.0% as compared to previous year.

Gross profit for the year under review was RMB1,879,505,000, representing an increase of 23.6%. Impressive growth of businesses in the passenger vehicles segment from the new products of the automotive components and other industrial services divisions benefited the business performance of the Group for the year, despite higher administrative costs, in particular the research and development expenses, incurred for the launches and new models and the various capacity expansion and upgrading projects during the year. Net profit of the Group for the year 2016 was RMB280,273,000, representing an increase of approximately 64.8% as compared to previous year. Profits attributable to the owners of the Company was RMB140,462,000, representing an increase of approximately 70.9%.

In February 2016, the Company completed the capital injection of an additional sum of RMB160,000,000 in cash to Wuling Industrial, our non-wholly owned subsidiary, pursuant to a capital increase agreement entered into between the Company and Guangxi Automobile, our ultimate controlling shareholder on 3 December 2015 ("WI Capital Increase"). Accordingly, the Company's equity interest in Wuling Industrial had been increased from approximately 50.98% to approximately 54.86%. The increase in the equity interests in Wuling Industrial had also contributed to an increase in profits attributable to the owners of the Company. Details of the WI Capital Increase were disclosed in the Company's announcement dated 3 December 2015 and the Company's circular dated 24 December 2015.

OPPORTUNITIES AND CHALLENGES

The economic environment in China continued to undergo certain structural adjustments during the year of 2016. As China's economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. Supported by the increasing demands from the consumers as driven by the resilient growth of local economy and the favourable tax incentives policy, the automobile industry in China reinstated its momentum of growth for the year of 2016. Total number of motor vehicles produced and sold in China increased by impressive rates of 14.5% and 13.7% respectively on a year-on-year basis and both exceeded 28 million vehicles for the year. Same as last year, the increases were mainly attributable to the vigorous growth in the segment of passenger vehicles, which comprised primarily sedans, MPVs and SUVs, etc. Amongst which, the MPVs and SUVs continued to be the most impressive growth segments, which are also the strategic focus of the Group and our key customer.

REPORT OF THE CEO

During the year, in co-operation with customers and business partners, new products were unremittingly developed and launched in response to the dynamic market environment. And it was encouraging that some of these new products had become significant growth drivers of revenue of the Group sooner than we originally expected. In addition, commencement of operations of the new production plants and other ancillary facilities, such as the completed Liuzhou Hexi Industrial Facilities, the extended Qingdao Facilities, the newly established Liudong Facilities and the Chongqing Facilities had also provided fundamental supports for our business development. The establishment of these enhanced facilities would also ensure our competitive strength in terms of scalability and geographical locations for future business development and transformation projects. Meanwhile, the Group has been actively implementing the expansion programme of our first overseas production base located in Indonesia to develop our overseas businesses concurrently our key customer, which is progressing satisfactorily and is expected to commence operation in the second half of 2017.

As mentioned in the previous annual reports, in response to the specific business environment and the strategy of our key customer, the Group had initiated strategic changes in our business operations. For our engines and parts and automotive components and other industrial services divisions, our business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini vehicles and the passenger vehicles segments. The remarkable segmental performances of the engines and parts and the automotive components and other industrial services divisions since 2015, in terms of the growth in revenue and operations, had continuously demonstrated the importance and effectiveness of this business strategy in fostering the business potential of the Group. Furthermore, such strategic changes had also paved the way of the Group's whole scale transformation into a key passenger vehicles' components supplier, which we believe would constitute another promising chapter of the Group in the automobile industry.

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

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

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

a. Technical re-engineering projects such as the specialization, enhancement and research and development programs in our engines and automotive components divisions for the purpose of supplying new lines of products to our core and new customers, either by way of the researches and developments of new products and the enhancement and upgrading exercises of the existing products;

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

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

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

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

Besides, being the holding company of Wuling Industrial, which is the most important operating entity of the Group, the Company will implement appropriate financing strategies in a timely manner to provide funding for the development of Wuling Industrial, including utilizing the fund raising platform of the Company as a Hong Kong mainboard listed company.

Following the completion of the aforementioned WI Capital Increase in February 2016, on 13 October 2016, the Company entered into the a conditional capital increase agreement pursuant to which the Company conditionally agreed to contribute an additional sum of RMB590,000,000 in cash into Wuling Industrial in two instalments, in which RMB279,601,173 will be contributed to the registered capital of Wuling Industrial and RMB310,398,827 will be contributed to the capital reserves of Wuling Industrial ("Further WI Capital Increase"), and upon completion, the registered capital of Wuling Industrial will be increased by approximately 26.82% and the Company's equity interest in Wuling Industrial on an enlarged basis will be increased by approximately 9.55% to approximately 64.41% and the remaining 35.59% will be owned by Guangxi Automobile (the "Capital Increase Agreement"). The Further WI Capital Increase will increase the Company's shareholding interest in Wuling Industrial, strengthen the financial position of Wuling Industrial and provide funding for the Wuling Industrial Group's various expansion and enhancement projects including technical re-engineering projects, business expansion programs, capacity expansion programs, technical capability strengthening programs and upgrading and integration programs. Details of Capital Increase Agreement and the Further WI Capital Increase, including the various projects planned to be undertaken by Wuling Industrial were fully described in the Company's announcement dated 13 October 2016 and the Company's circular dated 28 November 2016.

In relation to the Capital Increase Agreement, on 13 October 2016, (i) the Company and Wuling Hong Kong (Holdings) Limited ("Wuling HK"), controlling Shareholder of the Company, entered into a conditional subscription agreement (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the convertible notes in an aggregate principal amount of HK$400,000,000 at an initial conversion price of HK$0.70 per Share (subject to adjustments) (the "Convertible Notes A"); and (ii) the Company entered into a conditional placing agreement (the "Placing Agreement") with China Industrial Securities International Capital Limited) as the exclusive arranger and one of the joint placing agents, and Essence International Securities (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CCB International Capital Limited as the joint placing agents, for the purpose of procuring subscribers, on a best efforts basis, to subscribe for, and the Company has conditionally agreed to issue the convertible notes in an aggregate principal amount of HK$300,000,000 at an initial conversion price of HK$0.70 per Share (subject to adjustments) (the "Convertible Notes B"). Details of Subscription Agreement and the Placing Agreement were fully described in the Company's announcement dated 13 October 2016 and the Company's circular dated 28 November 2016.

REPORT OF THE CEO

Each of the Capital Increase Agreement, Subscription Agreement and the Placing Agreement and the transactions contemplated thereunder had been approved by the independent Shareholders in the special general meeting of the Company held on 16 December 2016.

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

Meanwhile, as one of the conditions of the Placing Agreement, i.e. the Subscription Agreement becoming unconditional, was not fulfilled on or before 15 January 2017, the Placing Agreement was therefore terminated, and hence the Convertible Notes B would not be issued.

The Company is now closely monitoring the progress of the above transactions and would use its best endeavor to ensure the completion of the transactions in due course upon fulfilment of the conditions precedent.

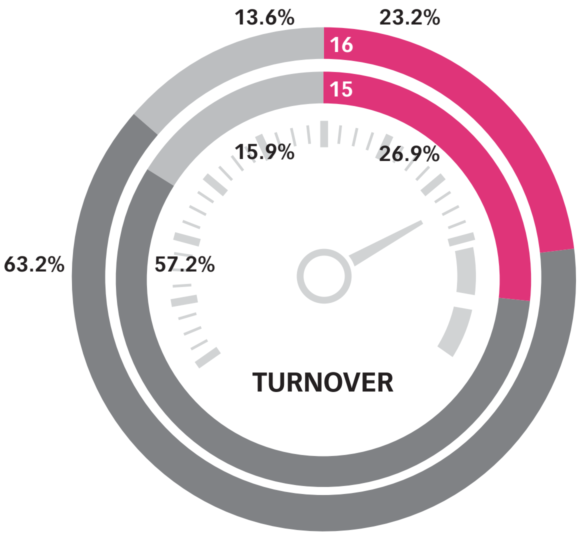
OUTLOOK

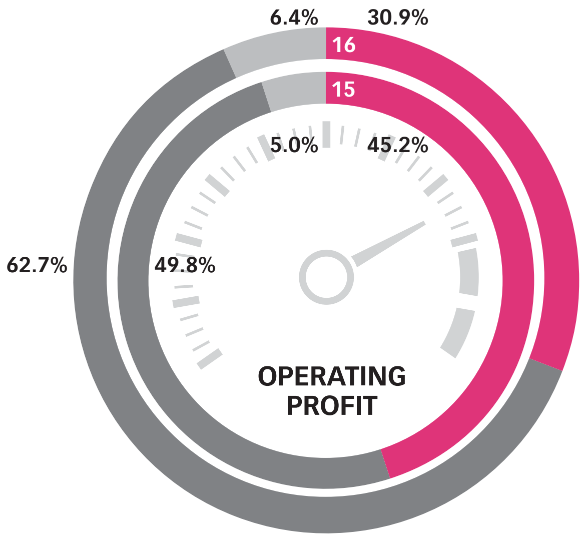
The Group envisages business environment in China to be highly competitive and challenging in the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market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

Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the China automobile industry will continue to be strengthened. With the continuous supports from Guangxi Automobile, 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
28 March 2017

MAIN BUSINESS SEGMENT –
ENGINES AND RELATED PARTS





- Engines And Related Parts
- Automotive Components And Other Industrial Services
- Specialized Vehicles (including New Energy Vehicles)

OPERATION REVIEW

ENGINES AND RELATED PARTS

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

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

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

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

The production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, in which approximately 280,000 units are for the NP18 model, whereas the foundry facilities of cylinder block and cylinder head are having a capacity of 600,000 units. Wuling Liuji will continue to monitor the growth of customers' businesses volume, especially for the passenger vehicles segment, in order to derive an optimum capacity and utilization level for its operations.

In the past, engines produced by Wuling Liuji were mainly for the commercial mini-vehicles which had been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, Wuling Liuji had actively undertaken development projects, either in house or in cooperation with other business partners, for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles' business. As mentioned above, Wuling Liuji had successfully launched NP18, its first engine product for the passenger vehicles, in which mass production orders from the main customer had gradually taken off in 2015. This product marked a significant breakthrough of Wuling Liuji from which, in term of revenue, the contribution from the passenger vehicles products in 2016 accounted for approximately 80% of the total revenue of this division. Wuling Liuji will continue to upgrade and modify NP18 to serve the specific needs of its customers and to further the business potential this successful products.

Meanwhile, Wuling Liuji is also making significant progress in our owned proprietary V6 cylinder engine products which is undertaken by a joint venture company formed with a technical partner, namely Liuzhou Lingte Motor Technology Company Limited ("Liuzhou Lingte"). Following the successful completion of the research and development of the 3.0L Advanced Model and the entering into the planning stage of the production facilities by Liuzhou Lingte, Liuzhou Lingte had commenced the construction of the infrastructure and the main assembly line in 2016 which is expected to be completed and started operational in early 2017. The successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry.

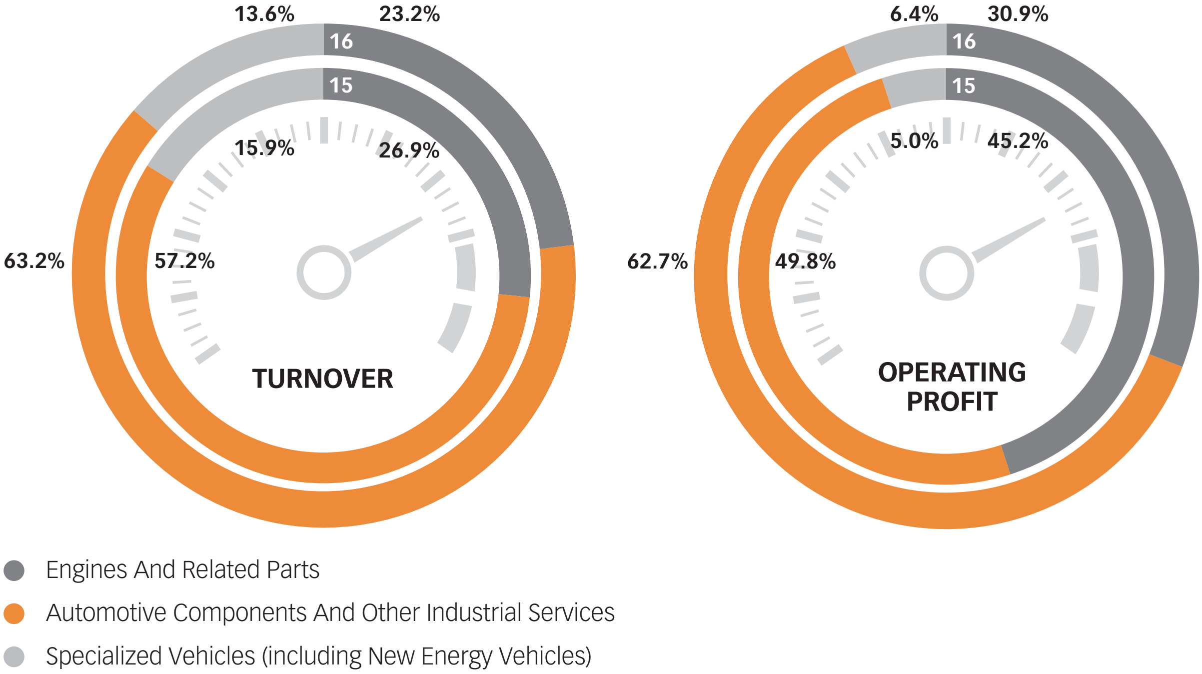
OPERATION REVIEW

Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, so as to maintain its competitiveness in this market segment. The Group believes the increasing applications of the successfully launched higher end models to the passenger vehicles of SGMW and other new customers and the introduction of other new higher end products will enhance the business potential and the technical capability of Wuling Liuji which will contribute to its profitability in the coming years.

The Group remains optimistic on the business outlook for the years ahead and believes our product competitiveness in the market and the gradual positive impact from the vertical integration and the launches of higher ended products will be beneficial to the performance of the division as well as to place the Group in a better position in facing with the current keen competitive market situation.

MAIN BUSINESS SEGMENT —

AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES



AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES

Revenue (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2016 was RMB10,542,987,000, representing an increase of 37.1% as compared to previous year. Benefited from the positive effects from the launches of new models despite a significant increase in research and development expenses during the year, operating profits for the year improved to RMB326,320,000, representing an impressive increase of 74.2% as compared to previous year.

The automotive components and other industrial services division continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the year, total sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, continued to increase, attributable to the strong demands for the key products of SGMW in the market. The satisfactory market performance of the passenger vehicles models such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) of SGMW essentially contributed to the impressive business performance and provided promising business potential to this division.

During the year, operating margin continued to improve resulting from scale operations and the positive effects from contribution of the higher end products as well as the cost control and integration exercises, despite higher administrative costs, in particular the research and development expenses, incurred for the launches and new models and the various capacity expansion and upgrading projects.

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

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

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

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

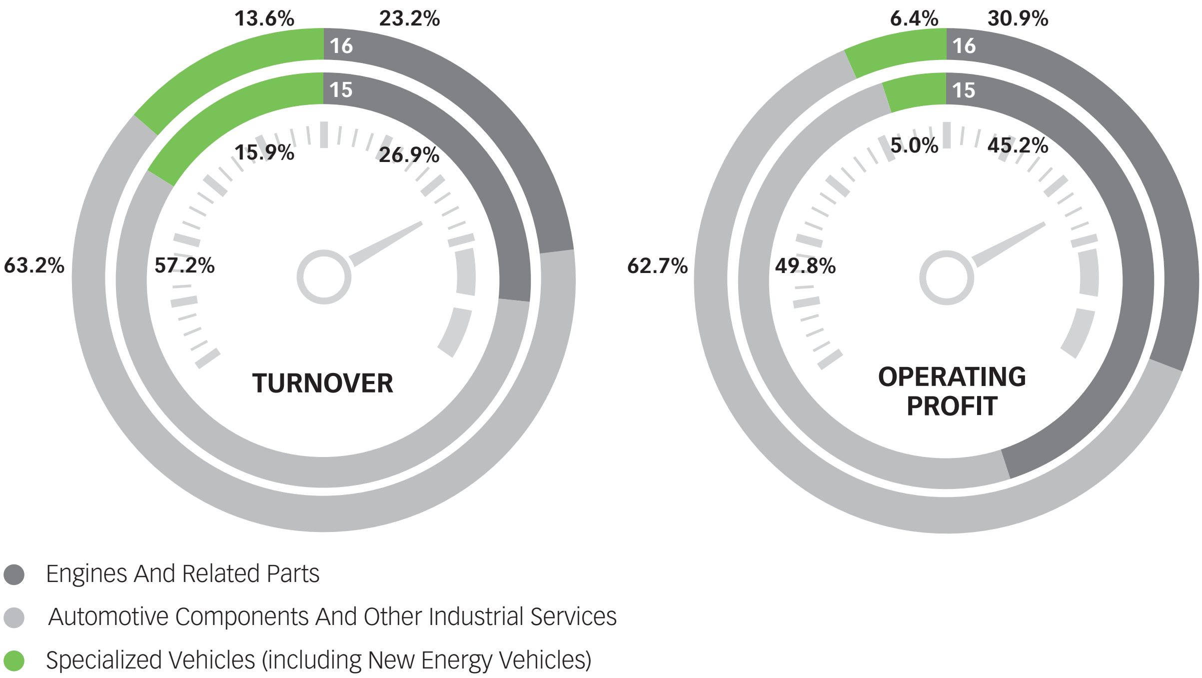
OPERATION REVIEW

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

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

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

MAIN BUSINESS SEGMENT —
SPECIALIZED VEHICLES (INCLUDING NEW ENERGY VEHICLES)



OPERATION REVIEW

SPECIALIZED VEHICLES

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

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

Operating margin maintained at 1.5% for the year. High portion of low margin products, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of research and development and warranty incurred for the launches of new products also limited the profitability performance of this division. To enhance the profitability of this division, strategically, the Group has continued to work towards the direction of reducing the production of the lower margin redecorated vans and mini-container wagons products so as to reserve more capacity to other more profitable models, such as mini-school buses, sight-seeing cars and electrical vehicles.

The specialized vehicles division operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. The division has capability to produce more than a hundred different types of specially designed vehicles which serves the particular needs of customers, such as sightseeing bus, golf cart, police car, mini fire engine, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck and electrical vehicles, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Products are mainly sold in the domestic market covering the major provinces and cities across the country and the overseas markets.

The capability of the specialized vehicles division in the car assembly industry is originated from the long-standing industry experiences of Wuling. In fact, the models designed and developed by the Group are mainly branded as "Wuling", which is itself a benchmark of quality products and services in the market. The Group is also a qualified enterprise which possesses the capability for manufacturing new energy electrical mini-truck in China. The division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Being the primary focus of development of the division, electrical vehicle product has recently reached a stage of breakthrough. Certain products, including an electrical logistic vehicle have obtained notifications of government approval in 2016. The Group planned to adopt the technical knowhow as developed from these electrical vehicles products as the platform to explore and develop a series of electrical specialized vehicles suitable for particular business segments. Meanwhile, the Group had also unremittingly developed new models of passenger mini-buses with improved quality and added features in response to market demands and enhanced regulatory standards, some of which were planned to be launched in 2017. The Group expects the business development of these new models will benefit the profitability performance of the division.

Currently, production facilities of the specialized vehicles division of the Group are situated in Liuzhou and Qingdao with respective annual capacities of approximately 60,000 vehicles and 30,000 vehicles. Taking the advantages of having an existing operation in Chongqing, the Group has recently decided to establish a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 15,000 vehicles, which will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness.

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment.

With the benefits of an effective cost control programs in production and management, the Group will take this chance to continuously consolidate its existing business and at the same time explore opportunities both locally and overseas so as to fostering a breakthrough business performance to this division.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group's revenue for the year ended 31 December 2016 was RMB16,677,695,000, representing an increase of 24.0% as compared to previous year. Impressive growth of businesses in the passenger vehicles' businesses from the new products of the automotive components and other industrial services divisions benefited the business performance of the Group for the year. Overall, strong market presence and increasing demands to the products of our key customer ensured an impressive growth of the Group in the automobile industry during the year.

Gross profit for the year was RMB1,879,505,000, representing an increase of 23.6% as compared to previous year. Increases in revenue and scale operation of the new higher end products with better profit margins contributed to the margin performance of the Group, in spite of higher administrative costs, in particular the research and development expenses, incurred for the launches and new models and the various capacity expansion and upgrading projects during the year.

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

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

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

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

Share of results of joint ventures registered a total losses of RMB11,039,000 for the year ended 31 December 2016 attributable mainly to the net operating losses of Guangxi Weixiang and Liuzhou Lingte incurred for the year.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB317,635,000 for the year ended 31 December 2016, representing an increase of 6.0% as compared to the previous year. Gradual commencement of operations of the new facilities with close proximity to customers' facilities helped to certain the selling and distribution costs.

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

Research and development expenses for the year ended 31 December 2016 amounted to RMB329,433,000, representing an increase of 22.7% as compared to previous year. Such increase was primarily due to the launches and development projects of new products undertaken by the Group. The Group will continue to prudently carry out research and development projects in accordance with the strategic plan in furthering its future business opportunities.

Finance costs for the year ended 31 December 2016 amounted to RMB89,536,000, representing an increase of 23.5% as compared to previous year, which was in line with the increasing scale of operation during the year. The balances had also included the finance cost of RMB26,062,000 which were interest expenses payable to Guangxi Automobile. To contain finance costs of the Group, Guangxi Automobile provided various sources of finance to the Group through bills discounting activities at the most favourable terms offered in the market.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

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

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

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

LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 December 2016, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the bill receivables discounted. The Group considers bill discounting activities an effective means of financing available to the Group during the year in terms of finance cost consideration. The outstanding advances drawn on bill receivables discounted with recourse as at 31 December 2016 were RMB1,177,555,000 which was increased as compared to the corresponding balances as at 31 December 2015. The corresponding bill receivables discounted with recourse to these advances amounting to RMB1,185,360,000 were recorded as trade and other receivables which would be offset against upon maturity.

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

FINANCIAL REVIEW

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

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

The Group's bank borrowings other than advances drawn on bill receivables discounted with recourse were maintained at a relatively low level since last year, which was consistent with the financing strategy of the Group by using bill receivables discounted as the main source of finance. The Company will closely monitor the financial and liquidity position of the Group, as well as the situation of the financial market from time to time in arriving at an appropriate financing strategy for the Group.

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

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

DIVIDEND

The Directors recommended the payment of a final dividend of HKD1.25 cents per ordinary share of the Company (the "Share(s)") for the year ended 31 December 2016 (the "Final Dividend") (2015: HKD0.75 cent) to the shareholders of the Company (the "Shareholder(s)"), whose names shall be on the register of members of the Company on 12 June 2017, amounting to approximately HKD22,948,000 (equivalent to approximately RMB20,544,000), subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Wednesday, 31 May 2017 (the "2017 AGM"), dividend warrants of the Final Dividend will be dispatched to Shareholders of the Company on or about 30 June 2017.

PLEDGE OF ASSETS

At 31 December 2016, a property held by the Group in Hong Kong with an aggregate value of RMB4,942,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB302,630,000 were pledged with and bill receivables discounted with recourse amounting to RMB1,185,360,000 were transferred to the banks mainly to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

At 31 December 2016, the Group maintained Hong Kong dollar bank loans and other payables of an aggregate amount of RMB6,384,000 and Hong Kong dollar bank deposits and other receivables of an aggregate amount of RMB9,724,000. In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be minimal.

COMMITMENTS

At 31 December 2016, the Group has outstanding commitments, contracted but not provided for in the financial statements, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB376,723,000.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group does not have any contingent liabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

Social Responsibility — An integral part of our business

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

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

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

In 2016, we have championed a variety of ESG initiatives. Going forward, we aim to create value for society, the environment, our employees, shareholders and other stakeholders through our ESG efforts.

WORKPLACE QUALITY

Working Conditions

Hiring New Employees

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

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

Employee Remuneration

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

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

Workforce Statistics and Other Employee Policies

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

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

As at 31 December 2016, our entire workforce comprised approximately 13,700 employees who were aged between 18 and 60. Amongst which, the percentage of female staff was approximately 22%. The percentage of female staff in the supervisor grade was about 17%. With regards to the geographical placement of our workforce, as at 31 December 2016, we had approximately 10,500 employees based in Liuzhou, approximately 3,200 employees based in regions outside Liuzhou, which include Qingdao, Chongqing City, Hong Kong and our new production plant in Kabupaten Bekasi, Indonesia, which is currently under construction. The staff turnover ratio of the contracted employee for the year ended 31 December 2016 was approximately 7%.

Nurturing the Next Generation

Student Internships

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

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

In 2016, we entered into co-operation arrangement with 5 post-secondary education institutes to organizing a total number of 8 training courses covering the topics of repair and maintenance, welding and digital control for the purpose of cultivating young talents required for development of our enterprises. Besides, further collaboration were taken with various institutes for the implementation of the internship programmes for the students to have practical experiences in the enterprises. Interns graduated with good results meeting the Group's qualification requirements and labour needs will be invited to work for the Group on a permanent, full time basis.

Health and Safety

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

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

Health and Safety Management System and Policies

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

The main purpose of establishing and maintaining our OHS is to minimize the incidence of accidents and occupational diseases. Based on our OHS, we have established safety objectives and targets. We make regular assessments of our OHS to ensure that the Group's health and safety requirements are met. In 2016, we have amended our original health and safety management system and policies in accordance with the new standards of GB/T28001-2007, to ensure its content and comprehensiveness would further comply with the relevant new laws and regulations as implemented by the country such as the new Work Safety Law and the new Law of Prevention and Control of Occupational Diseases.

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

Health and Safety Awards and Recognitions

International Health and Safety Certification

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

Work Safety Standard Certificate

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

Ankang Cup

The Group has been consecutively recognized as the competition winning enterprise and awarded the Liuzhou Ankang Cup (National Health & Safety Cup) for the last 8 years. This award recognizes our safe production management, production leaders' strong safety awareness and employees' production safety knowledge and skills.

Recognition by the Municipal Government of Liuzhou City

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

Track Record in Employee Health and Safety

We have achieved a solid track record in employee health and safety. This is evident by our clean record in the last 16 years in which our Group has not experienced any fatal accidents, occupational diseases or major fire incidents. In fact, there have been no fatalities experienced within the Group since the inception of its business. With respect to our track record in the occurrence of injuries in the last 7 years, there has been a low amount of injuries inflicted on our employees. In 2016, based on our calculation, the aggregate number of working days loss resulting from injuries amounted to 89 days, which was decreased by approximately 39% as compared to 2015.

Employee Development and Training

In 2016, we provided on-the-job training for over 95% of our employees, comprising approximately 93% for female employees and approximately 98% for male employees. The average hours of training per employee for 2016 was close to 50 hours, which exceeded the standard average hours of training of 38 hours as fixed by the Group.

The Group has 3 different employee training programs:

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

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

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

Caring for our Employees

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

To cope with the needs of the business expansion and in caring for our employees, the Group have persistently improved our logistic facilities. For instances, dormitories and staff quarters furnished with domestic appliances and furniture have been rented to cater for the needs of the employees who work in the industrial areas which are far away from the city district of Liuzhou. Such facilities currently accommodate a total number of 930 employees. We also provide transport vehicles to the employees who work in the new industrial districts in Chongqing and Liuzhou which are far away from the city district to ensure a safe and normal trip to the working places.

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

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

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

We strive to instill a corporate culture that embraces learning and education. To this end, the Group encourages its employees to learn by sponsoring the educational fees for employees who meet the Group's qualification criteria for furthering their education at external educational institutions such as universities, colleges and trade schools. In 2016, the Group elected 3 staff members from the core technical team to undertake overseas master degree in engineering.

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

Labour Standards

No Child Labour Policy

The Group has a 'No Child Labour' policy and does not hire persons under the age of 16. In this connection, members of the Group and their respective departments are required to comply with the relevant provisions in the applicable rules and policies such as "Rules and Regulations on Recruitment"《聘用制度》, "Provisions on the Management of Despatch of Labour"《勞務派遣人員管理辦法》and "Provision on the Management of Intern Employees"《實習生管理辦法》as set out by the Group.

ENVIRONMENTAL PROTECTION

At the Wuling Group, environmental protection is a priority. We are conscientious about the potential impact that our actions have on the environment and strive to reduce our impact on the environment. To do our part in protecting the environment, we have adopted a number of environmentally friendly initiatives. In the road ahead, we plan to further strengthen our environmental protection efforts as well as develop new programs to care for the environment. In addition, the Group has adopted appropriate measures and control procedures to ensure members of the Group and their respective departments will observe and comply with the applicable laws and regulations in the PRC, including "Environmental Protection Law of the PRC"《中華人民共和國環境保護法》, "Atmospheric Pollution Prevention and Control Law of the PRC"《中華人民共和國大氣污染防治法》, "Water Pollution Prevention and Control Law of the PRC"《中華人民共和國水污染防治法》and "Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste"《中華人民共和國固體廢物污染環境防治法》, etc.

Emissions

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

Reducing Greenhouse Gas Emissions

In 2016, we have continued to develop, manufacture and market our emissions-free electric vehicles. These vehicles do not emit CO2 or other harmful greenhouse gases into the environment. In gearing up for the future, we aim to increase our efforts in reducing emissions and will innovate intelligently to produce clean, safe and efficient products for our customers. In 2016, certain new products, including an electrical logistic vehicle, have obtained notifications of government approval. We plan to adopt the technical knowhow as developed from these electrical vehicles as the platform to explore and develop a series of electrical specialized vehicles serving the needs of the market.

Treating Wastewater and Other Substances to Government Standards

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

Use of Resources

Our Principles on Energy Use

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

Energy Audits

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

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

Energy Saving Management Program

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

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

Energy Management System

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

Water and Electricity Management

Water Management

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

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

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

Electricity Management

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

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

Other Energy Saving Initiatives

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

OPERATING PRACTICES

Supply Chain Management

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

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

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

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

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

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

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

Product Responsibility

Product Quality and Safety Control Procedures

The Group has put in place a comprehensive Quality Management System to evaluate product quality. We have also established our product traceability system that gives us the capability to trace any batch of products (cars) that we have detected an issue. Our early warning system warns us of any product quality issues and this enables us to fix potential issues as soon as they appear. Our Quality Management System also satisfies the rules and regulations as stipulated by the PRC's government regarding the quality and safety of automotive products. In 2016, there was no incidence of product recall due to safety issue.

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

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

Monitoring Customer Satisfaction and Collecting Customer Feedback

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

In 2016, we achieved a high level of customer satisfaction. Based on the customer satisfaction surveys that we have conducted through telephone interviews and face-to-face interviews with customers, the findings showed that we achieved a high customer satisfaction rate. Among which, hot line 4008555050 has commenced operation, which helps to enhance the procedural, professional and standardized management processes of the external communication system.

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

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

Providing Customers a High Standard of Service

To provide customers a high standard of customer service, we have established a 24-hour customer service hotline and an extensive service network in China to provide servicing to our customers. In 2016, we operated 411 service stations situated over 19 geographic service areas that were supervised by 22 regional service managers.

Anti-Corruption

In fighting against corruption, the Group has communicated its stance against corruption to its employees. Furthermore, the Group has put in place a set of regulations and monitoring system as measures to combat corruption. At the same time, the Group strictly adheres to the rules and regulations relating to anti-corruption as set out by the government of the PRC. In 2016, the Group did not register any legal cases against any staff members of the Group in this aspect.

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

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

COMMUNITY INVOLVEMENT

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

In 2016, we have cooperated with our employees, business partner, community members and other volunteers to carry out a number of community concern activities. In the coming years, we wish to continue to work hand-in-hand with our fellow volunteers to develop and implement community concern programs that make a world of difference.

Community Investment

Caring for Underprivileged Children

To help underprivileged children in China, we have established the 'Wuling Discovery Voyage', an annual event where our employee volunteers travel around China to provide useful supplies to underprivileged children. The inaugural event was launched in 2013. In 2016, the activities have covered 11 Chinese provinces including Guangxi, Yunnan, Sichuan, Qinghai, Gansu, Ningxia and Shaanxi to provide the underprivileged children of an aggregate number in excess of 17,000 living in those provinces with useful supplies and donations for education subsidies.

In 2016, we organized the second 'In Search of the Most Gorgeous Pre-school Educators' community function in cooperation with the Xiaochechina.com. This function which aimed for the community attention towards childhood development and education was to recommend and evaluate the candidates of pre-school educators from a number of 13 provinces and cities in electing the top ten most outstanding pre-school educators for awarding the prizes of 'The Top Ten Most Gorgeous Pre-school Educators'.

In 2016, the Group continued to organized young volunteers to undertake community caring trips to our services targets including the Hope Primary Schools located in the mountainous areas, children of the farm workers, welfare institutes and leftbehind children, etc. Through charity bazaars, materials raising and donations, we have donated sporting goods, clothes, education items, books and financial aids to Sanjiang County Wuling Primary School, Yong Hua Primary School and Rongshui County, etc.

Engaging Youths in our Community

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

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

Greening the Environment

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

2016 marked the twelfth consecutive year we planted trees to build a greener environment. In 2016, we planted more than 50 osmanthus trees, bauhinia, etc to replacing the worn out grass in the community.

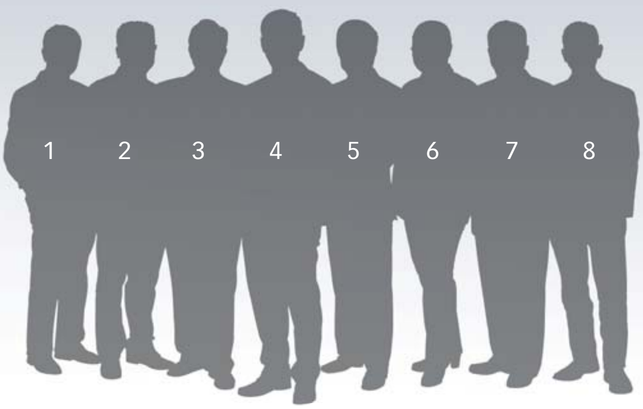
Upgrading Community Infrastructure

In 2016, we participated in various community infrastructure improvement projects to provide an improved living and working environment in the region.

Target Poverty Project

In 2016, the Group continued the Target Poverty Project and provided assistances to the target poverty villages located in Bai Zhao Cun, Bang Yang Cun and Long Cen Cun at Bai Yun Xiang, Rong Shui County, Liuzhou, Guangxi. The forms of assistance included building funds for infrastructure, project funds for anti-poverty enterprises, subsidies to poor university students and the underprivileged persons in village for the purpose of directing the financial aid to the most in need families and people in the community.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES



1. Mr. WANG Yuben
2. Mr. YANG Jianyong
3. Mr. ZHONG Xianhua
4. Mr. YUAN Zhijun
5. Mr. LEE Shing
6. Ms. LIU Yaling
7. Mr. ZUO Duofu
8. Mr. YE Xiang

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTOR

Mr. YUAN Zhijun
Chairman

Mr. Yuan, aged 50, 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 ("**Guangxi Autmobile**") — 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 and the chairman of the board of directors of Guangxi Yuan Heng Investment Co. Limited* (廣西元恒投資有限公司) ("**Guangxi YH Investment**"), a subsidiary of Guangxi Automobile. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively the intermediate holding company and the immediate holding company of the Company, including Guangxi Automobile, all of them being controlling shareholders of the Company, which are beneficially interested in approximately 56% of the total issued share capital 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 Wuling Industrial 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. Lee, aged 59, 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 also the vice-chairman of Wuling Industrial, and a director of Liuzhou Wuling Liuji Motors Company Limited* (柳州五菱柳機動力有限公司) ("**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 15.5% of the total issued share capital of the Company. Besides, Mr. Lee is also an executive director of Recyctec Holding AB, a company listed on Aktie Torget, Sweden.

Mr. ZHONG Xianhua
Executive Director

Mr. Zhong, aged 58, was appointed as Executive Director on 4 January 2010. Mr. Zhong holds directorships of a number of subsidiaries and member companies of the Group. Mr. Zhong is currently a director of Wuling Industrial and the secretary of the board of directors of Guangxi Automobile, the ultimate holding company of the Company. Mr. Zhong graduated from Hunan University major in mesoporphyrin protection. His profession is senior engineer and has over 30 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

* For identification purpose only

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Ms. LIU Yaling
Executive Director

Ms. Liu, aged 41, was appointed as Executive Director on 22 June 2006. Ms. Liu holds directorships of a number of subsidiaries of the Group. Ms. Liu has a post graduate education background. She is a qualified accountant in the PRC specializing in financial management. Ms Liu gains her working experience in the automobile manufacturing industry and has approximately 18 years' of experience in the finance and accounting profession in the PRC. Ms. Liu is a member of the International Association of Registered Financial Planners and an associate member of the Institute of Financial Accountants.

Mr. YANG Jianyong
Executive Director

Mr. Yang, aged 48, 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 the vice general manager and a director of Wuling Industrial. Mr. Yang is also the vice president, chief financial officer, chief legal counsel of Guangxi Automobile in charge of the finance, legal departments and supervisory board. Besides, Mr. Yang is also a director and the vice general manager of Guangxi YH Investment in charge of the finance department. Mr. Yang joined the group of Guangxi Automobile in 1989 and has about 28 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. ZUO Doufu
Independent Non-executive Director

Mr. Zuo, aged 73, was appointed as Independent Non-executive Director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has about 32 years of experience in the media industry in the PRC. He is currently a representative of Congress of Writers' Representatives in the PRC and a member of president group of Guangdong Writer Association. Mr. Zuo is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. YE Xiang
Independent Non-executive Director

Mr. Ye, aged 53, 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. Wang, aged 61, 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 34 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Besides, Mr. Wang is currently an independent non-executive director of Xinjiang Luntai Grand oil Tech. Co., Limited* (新疆格瑞迪斯石油技術股份有限公司). Mr. Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

* For identification purpose only

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

SENIOR MANAGEMENT

Mr. WEI Hongwen

Mr. Wei, aged 54, 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 and the chief executive of Guangxi Automobile, the ultimate holding company of the Company and a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively the intermediate holding company and the immediate holding company of the Company, all of them being controlling shareholders of the Company, which are beneficially interested in approximately 56% of the total issued share capital of the Company. Mr. Wei is currently the chairman of the board of director and the chief executive 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. ZHOU Sheji

Mr. Zhou, aged 59, currently a vice general manager of Wuling Industrial, our principal subsidiary, is responsible for the purchase division of the automotive components and other industrial services division. Mr. Zhou also served as Executive Director from 10 October 2008 to 17 July 2015. Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 29 years' of experience in the management of a number of business sectors in China such as construction, international trade and information technology sectors.

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 52, 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 29 years' of experience in finance, accounting and business management. Mr. Lai graduated from the University of Hong Kong and the Hong Kong Baptist University and holds a Bachelor of Arts degree and a Master of Science degree in Corporate Governance and Directorship respectively. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Mr. WEN Daizhi

Mr. Wen, aged 53, 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 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 combustion engine — internal and possessed a postgraduate qualification in Power Machinery and Engineering of Guangxi University. His profession is senior engineer. Mr. Wen has over 31 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. CHEN Xiaofeng

Mr. Chen, aged 42, is currently the vice general manager and is also the general manager of the sales office of Wuling Industrial, our principal subsidiary. Mr Chen is also the assistant to the general manager of Guangxi Automobile, the ultimate holding company of the Company. Mr. Chen graduated from the College of Material Science and Engineering of Chongqing University. His profession is engineer. Mr. Chen has been engaged in the automobile industry in China since his joining to Guangxi Automobile 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LI Weimin
Mr. Li, aged 54, is currently the vice 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 chairman of the board of directors of Guangxi Weixiang Machinery Company Limited* (廣西威翔機械有限公司) and Qingdao Dianshi Motor Accessories Company Limited* (青島點石汽車配件有限公司), both of them joint ventures of Wuling Industrial. Mr. Li graduated from Nanchang Hangkong University majoring in forging processes and equipment. His profession is senior engineer. Mr. Li has over 31 years' of extensive experience in the production management and quality control of the automotive components industry.

Mr. LI Huanyu
Mr. Li, aged 54, is currently the vice general manager of Wuling Industrial, our principal subsidiary 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 Automotion of Guangxi University. His profession is senior engineer. Mr. Li has over 31 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

Mr. WEI Mingfeng
Mr. Wei aged 42, is currently the vice general manager and also the senior controller of the production and manufacturing department of Wuling Industrial, our principal subsidiary. 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 21 years' of extensive experience in business operations, production management and quality control of the automotive components industry.

Mr. QIN Qibin
Mr. Qin, aged 54, is currently the assistant chief engineer and the technical centre officer of Wuling Industrial, our principal subsidiary. Mr. Qin graduated from Huazhong University of Science with a master degree in business administration in 2005. His profession is senior engineer. Mr. Qin has been engaged in the automobile industry in China since his joining to Guangxi Automobile Group in 1985. He has over 32 years' of extensive experience in the product development and the quality management of the automotive components industry.

Mr. LIU Yourong
Mr. Liu, aged 45, is currently the vice 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 22 years' of extensive experience in cost management and institutionalization of the financial system.

* For identification purpose only

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 2016.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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 2016, 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 Company including the approval and monitoring of all policy matters, overall strategies and budgets, internal control system and risk management system, material transactions (in particular those may involve conflict of interests), financial information, changes of Board and committees composition and other significant financial and operational decisions of the Company.

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

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

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

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

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

Composition

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

Executive Directors

Mr. Yuan Zhijun *(Chairman)*(1)
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong(1)
Mr. Wei Hongwen(2) *(former Chairman)*
Mr. Sun Shaoli(2)

Independent Non-Executive Directors

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben

Notes:

(1) Appointed on 4 November 2016 and then retired and re-elected by the Shareholders on 16 December 2016
(2) Resigned on 4 November 2016

Mr. Wei Hongwen and Mr. Sun Shaoli, who were appointed as executive Directors on 10 September 2007 and resigned on 4 November 2016; Mr. Zhong Xianhua, who was appointed as executive Director on 4 January 2010; Mr. Yuan Zhijun and Mr. Yang Jianyong, who were appointed as executive Directors on 4 November 2016, were respectively nominated by Guangxi Automobile Holdings Limited* 廣西汽車集團有限公司 ("Guangxi Automobile"), the ultimate holding company of the Company.

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

The biographical details of 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).

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

The Company has received written annual confirmation from each independent non-executive Director of his independence for the year ended 31 December 2016 pursuant to the rule 3.13 of the Listing Rules. The Board and the Nomination Committee has considered all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the rule 3.13 of the Listing Rules.

The independent non-executive Directors keep bringing a wide range of business and financial expertise, skills, experiences and independent judgment on the issues of 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, 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. One of the independent non-executive Directors possesses the appropriate professional qualifications, or accounting or related financial management expertise.

* For identification purpose only

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 the size, structure and composition of the Board on an annual basis.

Appointment, Re-election and Resignation of Directors

The Company 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.

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 retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

During the year, Mr. Zhong Xianhua, being executive Director, Messrs. Zuo Duofu and Ye Xiang, being independent non-executive Directors, retired from the Board and were re-elected as the Directors by separate resolutions passed by the Shareholders in the 2016 annual general meeting of the Company held on 2 June 2016 (the "2016 AGM") in accordance with the Company's bye-laws and the Listing Rules. In relation to the re-election in the 2016 AGM, Mr. Zuo Duofu ("Mr. Zuo") served as an independent non-executive Director for more than 9 years. Explanations to the Shareholders regarding why the Board believed Mr. Zuo was still independent and recommended for further re-election in the 2016 AGM notwithstanding Mr. Zuo's more than nine years' services with the Company had been fully described in the Company's circular dated 27 April 2016, which was dispatched to Shareholders together with 2015 annual report of the Company.

Due to a change in the corporate policy and management structure of Guangxi Automobile following the appointment of Mr. Wei Hongwen as the legal representative of Guangxi Automobile, from which he would have to put more emphasis in the leadership of Guangxi Automobile and management of Guangxi Automobile, Mr. Wei Hongwen resigned as executive Director, the chairman of the Board and the chairman of the Nomination Committee all with effect from 4 November 2016. On the same date, Mr. Sun Shaoli reached his retirement age and resigned as executive Director with effect from 4 November 2016.

On 4 November 2016, Mr. Yuan Zhijun was appointed by the Board as executive Director, chairman of the Board and the Nomination Committee in place of Mr. Wei Hongwen following his resignation as abovementioned, whereas, Mr. Yang Jianyong was appointed by the Board as executive Director in place of Mr. Sun Shaoli following his resignation as abovementioned.

In accordance with the Company's bye-law 91, Mr. Yuan Zhijun and Mr. Yang Jianyong retired as Director at the special general meeting of the Company held on 16 December 2016. Both of them were then re-elected as Directors by the Shareholders in the same general meeting.

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

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 during the year, monitoring the re-appointment and succession planning of the Directors and assessing the independence of each independent nonexecutive Director, etc.

In accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules, Mr. Lee Shing and Ms. Liu Yaling, being executive Directors, Mr. Wang Yuben, being independent non-executive Director, (collectively, the "Retiring Director(s)), will retire from the Board by rotation at the conclusion of the annual general meeting of the Company to be held on 31 May 2017 ("2017 AGM") and, being eligible, offer themselves for re-election as Directors by respective separate resolutions to be passed by the Shareholders at the 2017 AGM. Mr. Wang Yuben ("Mr. Wang"), being non-executive Director, has served as an independent non-executive Director for two (2) years only. In relation to Mr Wang's further re-election as Director at the 2017 AGM, the Board and the Nomination Committee does not have any concern on the independence of Mr. Wang. The Board and the Nomination Committee has recommended the re-election of all the Retiring Directors standing for re-election at the 2017 AGM.

Detailed information of all the Retiring Directors standing for re-election at the 2017 AGM are provided in the Company's circular to be dispatched to the Shareholders together with this annual report.

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 development of the Company, as well as rules and regulations under the Company's bye-laws, the Companies Ordinance, the Listing Rules and relevant applicable regulatory requirements in Bermuda and Hong Kong.

An induction programme covering the abovementioned matters were therefore arranged for Messrs. Yuan Zhijun and Mr. Yang Jianyong, as executive Directors, when they joined the Board in November 2016, that help them fully aware of their responsibilities and obligations in the Company.

Nevertheless, the chief financial officer of the Company, who is also the company secretary of the Company ("Company Secretary") and/or the Management keeps circulating articles, news and monthly reports, which are related to the Group's business, economy, market trend as well as the change in rules and regulations to Directors namely, Mr. Yuan Zhijun (who was appointed on 4 November 2016), Mr. Lee Shing, Mr. Zhong Xianhua, Ms. Liu Yaling, Mr. Yang Jianyong (who was appointed on 4 November 2016), Mr. Zuo Duofu, Mr. Ye Xiang, Mr. Wang Yuben, Mr. Wei Hongwen (who resigned on 4 November 2016) and Mr. Sun Shaoli (who resigned on 4 November 2016) from time to time to update, refresh and strengthen Directors' knowledge and skills. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

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

The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities, during the year ended 31 December 2016, a total number of four (4) regular meetings of the Board, two (2) meetings of the Audit Committee (as defined below), one (1) meeting of the Nomination Committee and one (1) meeting of the Remuneration Committee (as defined below) 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. The individual attendance records of each Director at the meetings of the Board, the audit committee of the Company ("Audit Committee" or "AC"), the remuneration committee of the Company ("Remuneration Committee" or "RC") and Nomination Committee, as well as the Shareholders' meeting(s) (annual general meeting as "AGM" and special general meeting as "SGM", if any) during the year ended 31 December 2016 are set out below:

Name of Directors	Attendance record of Directors at the meetings in 2016					
	AGM	SGM	Board	AC	RC	NC
No. of Meeting(s)	1	2	4	2	1	1
Executive Directors						
Mr. Yuan Zhijun *(Chairman)*(1)	0/0	1/1	1/1	N/A	N/A	0/0
Mr. Lee Shing *(Vice-chairman)*	1/1	2/2	4/4	N/A	N/A	1/1
Mr. Zhong Xianhua	1/1	0/2	4/4	N/A	N/A	N/A
Ms. Liu Yaling	1/1	1/2	4/4	N/A	N/A	N/A
Mr. Yang Jianyong(1)	0/0	0/1	1/1	N/A	N/A	N/A
Mr. Wei Hongwen *(Chairman)*(2)	1/1	0/1	3/3(3)	N/A	N/A	1/1
Mr. Sun Shaoli(2)	0/1	0/1	3/3(4)	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Zuo Duofu	1/1	2/2	4/4	2/2	1/1	1/1
Mr. Ye Xiang	0/1	2/2	4/4	2/2	1/1	1/1
Mr. Wang Yuben	1/1	1/2	4/4	2/2	1/1	1/1

(1) Appointed on 4 November 2016.
(2) Resigned on 4 November 2016.
(3) A meeting was attended by alternate.
(4) All meetings were attended by alternate.

Practices and Conduct of Meetings

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

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

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

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

During the year and up to the date of this report, the Management provide all Directors with monthly updated and detailed financial position, operation performance and prospects of the Group and the progress of the various ongoing projects to enable them to closely monitor the performance and operation of the Company.

The Company's bye-laws and the Listing Rules contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at Board and/or Committees' meetings for approving transactions, arrangements and/or contracts in which such Directors or any of their associates have a material interest. Independent non-executive Directors take lead when potential conflicts of interest arise. During the year ended 31 December 2016, Independent Board Committee comprising all independent non-executive Directors has been formed to advise the independent Shareholders on those connected transactions and continuing connected transactions approved by the independent Shareholders at the special general meetings of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 an one individual.

During the year, the chairman of the Board is Mr. Wei Hongwen (who was replaced by Mr. Yuan Zhijun with effect from 4 November 2016), 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 have been segregated and assumed by them separately such that Mr. Wei Hongwen, the chairman of the Board (who was replaced by Mr. Yuan Zhijun with effect from 4 November 2016), 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 has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company and the Shareholders as a whole. Mr. Lee Shing, as the chief executive officer, has been delegated with the authorities for the overall management and operations of the Group.

During the financial year ended 31 December 2016, the chairman of the Board has held one meeting with the independent non-executive Directors without the other executive Directors present. The chairman of the Board has encouraged 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.

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 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 under "CORPORATE INFORMATION" in this annual report.

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

Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive Directors including Mr. Zuo Duofu (Chairman of Remuneration Committee), Mr. Ye Xiang and Mr. Wang Yuben.

The Remuneration Committee normally meets at least once a year. The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of all Directors and the Management with reference to those companies in similar industries. 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 during the year ended 31 December 2016 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) during the year);

(3) propose remuneration packages with reference to the duties and responsibilities of Directors, 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); and

(5) review the procedures of remuneration policy, procedures and structure for fixing the remuneration packages.

The attendance records of the meeting of the Remuneration Committee during the year ended 31 December 2016 are set out under the section of "Board Meetings" on page 50.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (Chairman of the Audit Committee), Mr. Zuo Duofu and Mr. Wang Yuben, 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 main duties of the Audit Committee include the followings:

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

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

(c) To review the 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) 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 2016 to, inter alia,

(1) 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;

(2) assess the independence and the external auditors of the Company and the effectiveness of audit process;

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

(4) 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;

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

(6) 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

(7) review the current continuing connected transactions.

The attendance record of the meetings of AC during the year ended 31 December 2016 are set out under the section of "Board Meetings" on page 50.

Nomination Committee

The Nomination Committee currently comprises Mr. Yuan Zhijun, chairman of the Board (who replaced Mr. Wei Hongwen with effect on 4 November 2016 as chairman of the Nomination Committee), three independent non-executive Directors including Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

The primary objectives of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, making recommendations on the any proposed changes to the Board 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 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 written resolutions during the year ended 31 December 2016 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 analysis the diversity of the Board with reference with 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 in accordance with the Listing Rules;

(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, approve and recommend the change in the chairman of the Board and the chairman of the Nomination Committee, appointment of two (2) executive Directors, resignation and retirement of executive Directors.

The attendance records of the meeting of the Nomination Committee during the year ended 31 December 2016 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 2016, 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 securities 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 Rule; 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 also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") and Policy on disclosure of inside information for securities transactions by relevant employees of the Company who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guideline by the employees 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 2016 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 2016 is set out in the "INDEPENDENT AUDITOR'S REPORT" on pages 73 to 76 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 2016, 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:

	2016 *RMB'000*
Annual audit services	**1,586**
Interim review services	**563**
Other services	**1,429**

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 trading and manufacturing of automotive components, engines and the specialized vehicles in China, 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 2016, 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.

The Group initiated an organized risk management function in the year 2014 through the establishment of the risk management department and the formulation of the relevant risk management procedures. The report prepared by the risk management department for the year 31 December 2016 has been provided to the Management, the Board and Audit Committee for review.

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 condition 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 since 2013 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

(a) 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.

(b) 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 also the company secretary, immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

(c) The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

DISSEMINATION OF INSIDE INFORMATION

Inside information is announced promptly through the websites of the Exchange and the Company (www.wuling.com.hk). The electronic publication system of the 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 Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

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

Pursuant to bye-law 89 of the Company, if a Shareholder wish to propose a person other than 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 will 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 established a Shareholders' communication policy and review it regularly. 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 the Shareholders' meeting(s) 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 each 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, continuing connected transactions or any other transaction that is 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 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, as well as announcements and circulars issued by the Company 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 2016, the Company Secretary has complied with paragraph 3.29 of the Listing Rules by taking not less than 15 hours of relevant professional training.

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 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the sections of "CHAIRMAN'S STATEMENT", "REPORT OF THE CEO", "OPERATION REVIEW", "FINANCIAL REVIEW" and "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW" set out on pages 2 to 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 2016 are set out in the sections of "CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME" of this annual report on page 77.

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

CLOSURE OF REGISTER OF MEMBERS

For Attendance of 2017 AGM

The register of members of the Company will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both dates inclusive), for the purpose of determining the Shareholders eligibility to attend and vote at the 2017 AGM and during which period no transfer of the Shares will be effected. In order to qualify for attendance of the 2017 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 May 2017.

For Entitlement to Final Dividend

The register of members of the Company will be closed from Thursday, 8 June 2017 to Monday, 12 June 2017 (both days inclusive), for the purpose of determining the Shareholders' entitlement to the Final Dividend and during which period no transfer of the Shares will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 7 June 2017. Subject to the approval by the Shareholders in the 2017 AGM, the dividend warrants of the Final Dividend will be dispatched to the Shareholders on or about 30 June 2017.

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 80.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in the reserves of the Company during the year are set out in note 40 to the consolidated financial statements of this annual report.

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders were RMB284,516,000, which comprises contributed surplus of RMB94,381,000 and retained profits of RMB190,135,000 of the Company.

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

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

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

FINANCIAL SUMMARY

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

	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000*	2013 *RMB'000*	2012 *RMB'000*
Revenue	**16,677,695**	13,451,243	12,138,662	12,037,324	11,856,125
Profit before tax	**399,883**	242,014	142,370	130,439	143,683
Income tax expense	**(119,610)**	(71,962)	(33,953)	(24,405)	(45,106)
Profit for the year	**280,273**	170,052	108,417	106,034	98,577
Profit for the year attributable to:					
Owner of the Company	**140,462**	82,212	49,443	50,528	40,214
Non-controlling interests	**139,811**	87,840	58,974	55,506	58,363
	280,273	170,052	108,417	106,034	98,577
Total assets	**12,382,921**	11,637,552	9,814,578	10,206,983	10,704,000
Total liabilities	**10,247,750**	9,747,892	8,201,386	(8,856,344)	(9,438,758)
Net assets	**2,135,171**	1,889,660	1,613,192	1,350,639	1,265,242
Net assets attributable to:					
Owner of the Company	**1,176,145**	1,041,513	794,338	585,859	538,197
Non-controlling interests	**959,026**	848,147	818,854	764,780	727,045
	2,135,171	1,889,660	1,613,192	1,350,639	1,265,242

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group revalued its investment properties at the year ended on 31 December 2016. The net decrease 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 RMB642,000 (2015: net increase of RMB137,000).

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements of this annual report.

ISSUE OF CONVERTIBLE NOTES AND FURTHER CAPITAL INCREASE INTO WULING INDUSTRIAL

On 13 October 2016, the Company entered into the a conditional capital increase agreement with 廣西汽車集團有限公司 Guangxi Automobile Holdings Limited* ("Guangxi Automobile"), the ultimate controlling Shareholder, and 柳州五菱汽車工業有限公司 Liuzhou Wuling Motors Industrial Company Limited* ("Wuling Industrial"), a non-wholly-owned subsidiary of the Company, pursuant to which the Company conditionally agreed to contribute an additional sum of RMB590,000,000 in cash into Wuling Industrial in two instalments, in which RMB279,601,173 will be contributed to the registered capital of Wuling Industrial and RMB310,398,827 will be contributed to the capital reserves of Wuling Industrial ("Further WI Capital Increase"), and upon completion, the registered capital of Wuling Industrial will be increased by approximately 26.82% and the Company's equity interest in Wuling Industrial on an enlarged basis will be increased by approximately 9.55% to approximately 64.41% and the remaining 35.59% will be owned by Guangxi Automobile (the "Capital Increase Agreement").The Further WI Capital Increase will increase the Company's shareholding interest in Wuling Industrial, strengthen the financial position of Wuling Industrial and provide funding for the Wuling Industrial Group's various expansion and enhancement projects including technical re-engineering projects, business expansion programs, capacity expansion programs, technical capability strengthening programs and upgrading and integration programs. Details of Capital Increase Agreement and the Further WI Capital Increase, including the various projects planned to be undertaken by Wuling Industrial, were fully described in the Company's announcement dated 13 October 2016 and the Company's circular dated 28 November 2016.

In relation to the Capital Increase Agreement, on 13 October 2016, (i) the Company and Wuling (Hong Kong) Holdings Limited ("Wuling HK"), the controlling Shareholder of the Company, entered into a conditional subscription agreement (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the convertible notes in an aggregate principal amount of HK$400,000,000 at an initial conversion price of HK$0.70 per Share (subject to adjustments) (the "Convertible Notes A"); and (ii) the Company entered into a conditional placing agreement (the "Placing Agreement") with China Industrial Securities International Capital Limited) as the exclusive arranger and one of the joint placing agents, and Essence International Securities (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CCB International Capital Limited as the joint placing agents, for the purpose of procuring subscribers, on a best efforts basis, to subscribe for, and the Company has conditionally agreed to issue the convertible notes in an aggregate principal amount of HK$300,000,000 at an initial conversion price of HK$0.70 per Share (subject to adjustments) (the "Convertible Notes B"). Details of Subscription Agreement and the Placing Agreement were fully described in the Company's announcement dated 13 October 2016 and the Company's circular dated 28 November 2016.

Each of the Capital Increase Agreement, Subscription Agreement and the Placing Agreement and the transactions contemplated thereunder had been approved by the independent Shareholders in the special general meeting of the Company held on 16 December 2016.

As additional time is required for the fulfillment of certain conditions precedent to the Capital Increase Agreement and the Subscription Agreement, including but not limited to: (a) the obtaining of all permissions and approvals in respect of the Further WI Capital Increase from Guangxi SASAC and Guangxi Department of Commerce; and (b) the making of the relevant registration to and the obtaining of the relevant approval from the NDRC in relation to the Convertible Notes A, (i) the Company, Guangxi Automobile and Wuling Industrial entered into a supplemental agreement to the Capital Increase Agreement on 31 December 2016 to extend the long stop date for satisfaction of the conditions precedent to the Capital Increase Agreement from 31 December 2016 to 28 February 2017 (or such other date as the parties thereto may agree in writing) and (ii) the Company and Wuling HK entered into a supplemental agreement to the Subscription Agreement on 31 December 2016 to extend the long stop date for satisfaction of the conditions precedent to the Subscription Agreement from 31 December 2016 to 28 February 2017 (or such other date as the parties thereto may agree in writing).

* For identification purpose only

Besides, as the condition precedents of the Placing Agreement cannot be fulfilled on or before the long stop date of the Placing Agreement (i.e. 15 January 2017) the Placing Agreement was terminated on 15 January 2017 and hence the Convertible Notes B would not be issued.

As additional time is required for the fulfillment of the conditions precedent to the Capital Increase Agreement and the Subscription Agreement, relating to the obtaining of all permissions and approvals in respect of the Further WI Capital Increase from the Guangxi Department of Commerce, the Board announces that after arm's length negotiations, (i) the Company, Guangxi Automobile and Wuling Industrial further entered into a second supplemental agreement to the Capital Increase Agreement on 28 February 2017 to extend the long stop date for satisfaction of the conditions precedent to the Capital Increase Agreement from 28 February 2017 to 30 June 2017 and (ii) the Company and Wuling HK further entered into a second supplemental agreement to the Subscription Agreement on 28 February 2017 to extend the long stop date for satisfaction of the conditions precedent to the Subscription Agreement from 28 February 2017 to 30 June 2017. Save for the above, the other terms and conditions of the Capital Increase Agreement and the Subscription Agreement remain unchanged and continue to remain in full force and effect. According to the terms and conditions of the Capital Increase Agreement and the Subscription Agreement, if the above remaining conditions precedent are not satisfied in full on or before the long stop date, i.e. 30 June 2017, the Capital Increase Agreement and the Subscription Agreement will lapse, and none of the parties thereto shall have any claim against the others in respect of the Capital Increase Agreement and the Subscription Agreement and the transactions contemplated thereunder.

PRE-EMPTIVE RIGHTS

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

BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 28 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for respectively 78.5% and 83.0% 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 43.7% and 51.0% of the Group's total purchases for the year.

SAIC-GM-Wuling Automobile Co., Ltd.* 上汽通用五菱汽車股份有限公司 ("SGMW"), in which, Guangxi Automobile, the ultimate controlling Shareholder, holds a 5.8% interests, was the Group's largest customer and largest supplier for the year. Guilin Bus Development Co., Limited* 桂林客車發展有限公司 ("Guilin Bus"), in which, Guangxi Automobile, the ultimate controlling Shareholder, holds 70% of its registered capital was the Group's third largest customer, which accounted for 1.5% of the Group's total revenue for the year and the second largest supplier which accounted for 2.7% of the Group's total purchases for the year. The sale and purchase transactions of the Group with Guilin Bus for the year ended 31 December 2016 were governed under the 2014–2016 Master Agreement as detailed under the following section of "CONTINUING CONNECTED TRANSACTIONS" of this annual report on pages 68 to 70.

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

* For identification purpose only

DIRECTORS

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

Executive Directors:

Mr. Yuan Zhijun[(1)] *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong[(1)]
Mr. Wei Hongwen[(2)]
Mr. Sun Shaoli[(2)]

Independent Non-Executive Directors:

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben

Notes:

(1) *Appointed on 4 November 2016 and then retired and re-elected by the Shareholders on 16 December 2016*
(2) *Resigned on 4 November 2016*

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

Pursuant to the Company's bye-laws and/or 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 retire from office no later than the third annual general meeting of the Company after he/she was last elected or re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election by the Shareholders at the first general meeting of the Company following his/her appointment.

In accordance with bye-law 99(B) of the Company, Mr. Lee Shing, Ms. Liu Yaling and Mr. Wang Yuben shall retire from the Board by rotation at the conclusion of the 2017 AGM and, being eligible, offer themselves for re-election at the same meeting.

Due to a change in the corporate policy and management structure of Guangxi Automobile following the appointment of Mr. Wei Hongwen as the legal representative of Guangxi Automobile, from which he would have to put more emphasis in the leadership of Guangxi Automobile and management of Guangxi Automobile,. Mr. Wei Hongwen resigned as executive Director, the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee") all with effect from 4 November 2016. On the same date, Mr. Sun Shaoli reached his retirement age and resigned as executive Director with effect from 4 November 2016.

On 4 November 2016, Mr. Yuan Zhijun was appointed by the Board as executive Director, chairman of the Board and the Nomination Committee in place of Mr. Wei Hongwen following his resignation as abovementioned, whereas, Mr. Yang Jianyong was appointed by the Board as executive Director in place of Mr. Sun Shaoli following his resignation as abovementioned

In accordance with the Company's bye-law 91, Mr. Yuan Zhijun and Mr. Yang Jianyong retired as Director at the special general meeting of the Company held on 16 December 2016. Both of them were then re-elected as Directors by the Shareholders in the same general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

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

DIRECTORS' SERVICE CONTRACTS

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

No Directors being proposed for re-election at the 2017 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2016, 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

Names 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	15.34%
	Beneficial owner	3,090,900	0.17%
	Interest held by spouse	1,648,480	0.09%
	Sub-total	286,362,294	15.60%
Ms. Liu Yaling	Beneficial owner	2,060,600	0.11%
Mr. Ye Xiang	Beneficial owner	1,030,300	0.06%

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 2016 (i.e. 1,835,821,841).

Save as disclosed above and the interests as disclosed under the section headed "DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES" below, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2016 which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

As at 31 December 2016, the number of outstanding share options granted by the Company under the option scheme adopted on 28 May 2012 (the "Share Option Scheme") for the Directors to subscribe the Shares, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

Category		As at 1 January 2016 *(Note 1)*	During the year (Exercised)	During the year (Lapsed)	As at 31 December 2016
Directors					
Mr. Lee Shing		3,090,900	(3,090,900)	–	–
		(Note 2) 1,648,480	(1,648,480)	–	–
	Sub-total	4,739,380	(4,739,380)	–	–
Mr. Zhong Xianhua		2,060,600	–	(2,060,600)	–
Ms. Liu Yaling		2,060,600	(2,060,600)	–	–
Mr. Zuo Duofu		1,030,300	–	(1,030,300)	–
Mr. Ye Xiang		1,030,300	(1,030,300)	–	–
Mr. Wei Hongwen *(Note 3)*		3,090,900	–	(3,090,900)	–
Mr. Sun Shaoli *(Note 3)*		3,090,900	–	(3,090,900)	–
	Total	17,102,980	(7,830,280)	(9,272,700)	–

Notes:

(1) All of the share options was granted on 15 June 2012 and vested on the date immediately after three months from the date of acceptance and were exercisable from 6 October 2012 to 30 June 2016 (both days inclusive) at adjusted exercise price of HK$0.476 per Share, details of which adjustment may refer to the announcement of the Company on 29 July 2015.

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

(3) Mr. Wei Hongwen and Mr. Sun Shaoli resigned as Directors with effect on 4 November 2016.

(4) During the year, no share option was granted or cancelled under the Share Option Scheme.

Save as disclosed herein, at no time during the year ended 31 December 2016 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" AND "CONTINUING CONNECTED TRANSACTIONS" in this report from pages 68 to 70, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which Director(s) or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

SHARE OPTIONS

Particulars of the Share Option Scheme and the movements in the share options therein are set out in the above section "DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES" and note 31 to the consolidated financial statements of this annual report.

* For identification purpose only

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 2016, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Names of Shareholder	Capacity	Nature of interest	Number of Shares	Approximate % of the total number of Shares in issue#
Dragon Hill (Note 1)	Beneficial owner	Corporate	281,622,914	15.34%
Mr. Lee Shing	Interest in controlled corporation (Note 1)	Corporate	281,622,914	15.34%
	Beneficial owner (Note 2)	Personal	3,090,900	0.17%
	Interest held by spouse (Note 2)	Family	1,648,480	0.09%
		Sub-total	286,362,294	15.60%
Wuling (Hong Kong) Holdings Limited ("Wuling HK") (Notes 3 & 4)	Beneficial owner	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	571,428,571	31.13%
		Sub-total	1,600,275,377	87.17%
Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	571,428,571	31.13%
		Sub-total	1,600,275,377	87.17%
廣西汽車集團有限公司 Guangxi Automobile Holdings Limited* ("Guangxi Automobile") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	571,428,571	31.13%
		Sub-total	1,600,275,377	87.17%

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 571,428,571 Shares (conversion shares) issuable to Wuling HK upon exercise in full of the conversion rights attaching to the convertible notes proposed to be issued to Wuling HK pursuant to the Subscription Agreement, details of which may refer to the above section of "ISSUE OF CONVERTIBLE NOTES AND FURTHER CAPITAL INCREASE INTO WULING INDUSTRIAL" of this annual report on page 62.

The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2016 (i.e. 1,835,821,841 Shares).

* For identification purpose only

Other than as disclosed above, as at 31 December 2016, 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.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

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

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

CONNECTED TRANSACTIONS

(1) The Subscription Agreement and the Capital Increase Agreement as fully described under the above section of "ISSUE OF CONVERTIBLE NOTES AND FURTHER CAPITAL INCREASE INTO WULING INDUSTRIAL" of this annual report on page 62.

(2) On 25 January 2017, Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into an equipment purchase agreement with Shanghai Yipu Automatic Equipment Co., Ltd ("Shanghai Yipu"), which was held as to approximately 40% by Guangxi Automobile, the ultimate controlling Shareholder, pursuant to which Wuling Industrial, a non-wholly owned subsidiary of the Company, agreed to purchase and Shanghai Yipu agreed to sell certain automatic welding and assembly production lines and industrial robots at the net consideration of RMB34,829,060 (exclusive of VAT), which details were fully disclosed in the Company's announcement dated 25 January 2017.

CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the business and operation of Wuling Industrial, a non-wholly owned subsidiary of the Company, and its subsidiaries (collectively as the "Wuling Industrial Group"), Wuling Industrial entered into the following agreements with Guangxi Automobile, the ultimate controlling Shareholder and/or its associates (the "Guangxi Automobile Group"), which are in effect during and/or subsequent to the year:

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

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

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

(2) As the continuing connected transactions under the 2014–2016 Master Agreement were expected to continue after the expiration of the 2014–2016 Master Agreement, on 16 November 2016, Wuling Industrial entered into the 2017–2019 Master Agreement with Guangxi Automobile to renew the Renewed Sale Transactions (as defined below) and the Renewed Purchase Transactions (as defined below) for a term of three years from 6 January 2017 to 31 December 2019 to govern various continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile Group. Details of 2017– 2019 Master Agreement were disclosed in the circular of the Company dated 15 December 2016.

Pursuant to the 2017–2019 Master Agreement, Wuling Industrial Group agreed to supply 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 "Renewed Sale Transactions')', whereas, Guangxi Automobile Group agreed to supply consumables and materials, finished products and semi-finished product (including but not limited to passenger mini-buses, automotive components, mould parts and accessories, and automotive air-conditioners-related parts and accessories) to Wuling Industrial Group (collectively the "Renewed Purchase Transactions").

The proposed annual caps of the Renewed 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 Renewed Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 are RMB595,700,000, RMB772,200,000 and RMB872,700, 000 respectively.

(3) a master tenancy agreement entered into between Wuling Industrial (as tenant) and Guangxi Automobile (as landlord) on 28 December 2015 in relation to the leasing of the Leased Properties (as defined below) for a term of three years from 1 January 2016 to 31 December 2018 (the "2016–2018 Master Tenancy Agreement") to govern various continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group. The 2016–2018 Master Tenancy Agreement served to renew the terms of a number of continuing connected transactions entered into between the Wuling Industrial Group and the respective associates of Guangxi Automobile separately, as well as to cover other continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group of similar nature which could take place during the terms of 2016–2018 Master Tenancy Agreement. The initial subject properties to be leased by the Wuling Industrial Group from the Guangxi Automobile Group under the 2016–2018 Master Tenancy Agreement included: (a) a parcel of land and buildings, constructed thereon, located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC* (中國青島市黃島區江山路西松花江路南側) (the "Qingdao Leased Properties"); and (b) nine parcels of land and 49 buildings, located in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, with a total site area of land and a total floor area of buildings of approximately 626,139 square meters and 146,878 square meters respectively (the "Liuzhou Leased Properties") (collectively with the Qingdao Leased Properties, the "Leased Properties"). The Leased Properties are currently used by Wuling Industrial Group as offices and production plants and the Wuling Industrial Group will continue to use the Leased Properties for such purposes under the 2016-2018 Master Tenancy Agreement. The annual rental payable and the annual cap for the Leased Properties under the 2016–2018 Master Tenancy Agreement for each of the three years ending 31 December 2018 shall be RMB36,655,450 and RMB37,000,000 respectively. Details of 2016–2018 Master Tenancy Agreement were disclosed in the Company's announcement dated 28 December 2015.

* For identification purpose only

Amongst the above continuing connected transactions, the 2014–2016 Master Agreement (item 1 above) and the 2017–2019 Master Agreement (item 2 above) both constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The respective independent Shareholders' approvals were obtained in the special general meetings of the Company held on 23 January 2014 for the 2014–2016 Master Agreement (item 1 above) and 6 January 2017 for the 2017–2019 Master Agreement (item 2 above) respectively. The remaining continuing connected transaction (item 3 above) was exempted under Chapter 14A of the Listing Rules from the approval of independent Shareholders.

The aggregate amounts of the abovementioned continuing connected transactions for the year ended 31 December 2016 are set out in note 37 to the consolidated financial statements of this annual report. For each of these continuing connected transactions, the aggregate amounts took place during the year ended 31 December 2016 were within the annual maximum values as stated in the respective agreements. Pursuant to rule 14A.56 of the Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed upon procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

(ii) on normal commercial terms or better; and

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the financial year ended 31 March 2016, to the best of the Company's knowledge, the Company has complied with the requirements under the Listing Rules, the SFO and the Companies Act 1981 Bermuda. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the "CORPORATE GOVERNANCE REPORT" from pages 46 to 59 of this annual report.

REMUNERATION COMMITTEE

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

The terms of reference of the Remuneration Committee, amended from time to time, is set out in the website of the Company (www.wuling.com.hk), a summary of duties and works of the Remuneration Committee during the year ended 31 December 2016 is set out in the "CORPORATE GOVERNANCE REPORT" from pages 46 to 59 of this annual report.

AUDIT COMMITTEE

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

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

The terms of reference of the Audit Committee, amended from time to time, is set out in the website of the Company (www.wuling.com.hk), a summary of duties and works of the Audit Committee during the year ended 31 December 2016 is set out in the "CORPORATE GOVERNANCE REPORT" from pages 46 to 59 of this annual report.

The audited consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Mr. Yuan Zhijun, chairman of the Board (who replaced Mr. Wei Hongwen with effect from 4 November 2016 as chairman of Nomination Committee), three independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, as well as Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer, for the purpose of, inter alia, reviewing the composition and effectiveness of the Board functioning, as well as to assessing or making recommending on relevant matters relating to the appointment and/or re-election of the Directors.

The terms of reference of the Nomination Committee, amended from time to time, is set out in the website of the Company (www.wuling.com.hk), a summary of duties and works of the Nomination Committee during the year ended 31 December 2016 is set out in the "CORPORATE GOVERNANCE REPORT" from pages 46 to 59 of this annual report.

CHANGES IN THE INFORMATION OF DIRECTORS

Pursuant to rule 13.51B (1) of the Listing Rules, the changes in the information of Directors since the date of the 2016 interim report of the Company are as follows:

As stated in the Company's announcement dated 4 November 2016, in accordance with the prevailing remuneration policy of Guangxi Automobile, the ultimate controlling Shareholder of the Company, Mr. Zhong Xianhua ("Mr. Zhong"), an executive Director of the Company who also holds position as senior executive of Guangxi Automobile, will no longer receive any directors' fees and other remuneration from the Company and/or its subsidiaries. Mr. Zhong's remuneration package is covered by Guangxi Automobile in accordance with the remuneration policy of Guangxi Automobile, the ultimate controlling Shareholder of the Company.

PERMITTED INDEMNITY PROVISION

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016 (2015: Nil).

STAFFS

As at 31 December 2016, the Group had approximately 13,700 employees. Total staff costs for the year ended 31 December 2016 were approximately RMB804,955,000 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 share option scheme of the Company.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code, amended from time to time, The Directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE END OF THE REPORTING PERIOD

Details of a significant event occurring after the reporting date are set out in note 42 to the consolidated financial statements of this annual report.

AUDITOR

Deloitte Touche Tohmatsu ("Deloitte"), being the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment in the 2017 AGM. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the 2017 AGM.

On behalf of the Board

Yuan Zhijun
Chairman
28 March 2017

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 77 to 144, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of trade receivables from third party customers	
We identified the estimated impairment of trade receivables from third party customers as a key audit matter due to significant degree of management judgement involved in estimating impairment loss on trade receivables from third party customers. As set out in note 5 to the consolidated financial statements, management estimates impairment of trade receivables from third party customers, based on the ageing of these trade receivables balances, the repayment history and the current creditworthiness of each third party customer. As at 31 December 2016, the carrying amount of trade receivables from third party customers was RMB453,270,000 (net of allowance for doubtful debts of RMB81,485,000).	Our procedures in relation to estimated impairment of trade receivables from third party customers included: • Obtaining an understanding of how management estimates the impairment of trade receivables; • Checking subsequent settlement of trade receivables to the settlement details on a sample basis; • Verifying the accuracy of the ageing analysis for trade receivables as at 31 December 2016; • Assessing the reasonableness of management's assessment on the impairment loss of trade receivables with reference to the ageing of the trade receivable balances, the repayment history and current creditworthiness of these third party customers; and • Evaluating the historical accuracy of the impairment assessment by management.

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.

OTHER INFORMATION (continued)

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.

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.

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

- 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.

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 Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7(a)	**16,677,695**	13,451,243
Cost of sales		**(14,798,190)**	(11,930,210)
Gross profit		**1,879,505**	1,521,033
Other income	7(b)	**102,449**	68,453
Other gains and losses	7(c)	**(32,031)**	(30,933)
Selling and distribution costs		**(317,635)**	(299,720)
General and administrative expenses		**(802,397)**	(663,151)
Research and development expenses		**(329,433)**	(268,432)
Share of results of joint ventures	19	**(11,039)**	(12,752)
Finance costs	8	**(89,536)**	(72,484)
Profit before taxation		**399,883**	242,014
Income tax expense	9	**(119,610)**	(71,962)
Profit for the year	10	**280,273**	170,052
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**263**	954
Total comprehensive income for the year		**280,536**	171,006
Profit for the year attributable to:			
Owners of the Company		**140,462**	82,212
Non-controlling interests		**139,811**	87,840
		280,273	170,052
Total comprehensive income attributable to:			
Owners of the Company		**140,725**	83,166
Non-controlling interests		**139,811**	87,840
		280,536	171,006
Earnings per share	14		
Basic		**7.67 cents**	4.92 cents
Diluted		**7.63 cents**	4.83 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,474,743**	2,154,838
Prepaid lease payments	16	**244,887**	250,961
Premium on prepaid lease payments	17	**848**	873
Investment properties	18	**8,532**	8,610
Intangible assets		**—**	628
Interests in joint ventures	19	**103,916**	80,341
Deposits paid for acquisition of property, plant and equipment		**304,944**	433,437
Available-for-sale investment	20	**10,000**	22,000
		3,147,870	2,951,688
CURRENT ASSETS			
Inventories	21	**1,468,151**	1,778,552
Trade and other receivables	22	**5,898,441**	5,007,701
Prepaid lease payments	16	**6,088**	6,088
Pledged bank deposits	24	**302,630**	718,130
Bank balances and cash	24	**1,559,741**	1,175,393
		9,235,051	8,685,864
CURRENT LIABILITIES			
Trade and other payables	25	**8,657,663**	8,397,991
Amount due to a shareholder	26	**—**	28,608
Provision for warranty	27	**162,952**	151,353
Tax payable		**153,553**	58,644
Bank borrowings	28	**55,903**	2,895
Advances drawn on bills receivables discounted with recourse	28	**1,177,555**	881,876
		10,207,626	9,521,367
NET CURRENT LIABILITIES		**(972,575)**	(835,503)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,175,295**	2,116,185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Amount due to a shareholder	26	—	191,314
Deferred income	20	**16,805**	18,272
Deferred tax liabilities	29	**23,319**	16,939
		40,124	226,525
		2,135,171	1,889,660
CAPITAL AND RESERVES			
Share capital	30	**6,648**	6,600
Reserves		**1,169,497**	1,034,913
Equity attributable to owners of the Company		**1,176,145**	1,041,513
Non-controlling interests		**959,026**	848,147
		2,135,171	1,889,660

The consolidated financial statements on pages 77 to 144 were approved and authorized for issue by the board of directors on 28 March 2017 and are signed on its behalf by:

Mr. Yuan Zhijun
CHAIRMAN

Mr. Lee Shing
VICE-CHAIRMAN AND CHIEF EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Contributed surplus *RMB'000* *(note i)*	Share option reserve *RMB'000*	PRC general reserve *RMB'000* *(note ii)*	Capital reserve *RMB'000* *(note iii)*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2015	5,627	162,167	10,341	35,763	16,549	205,532	18,505	339,854	794,338	818,854	1,613,192
Profit for the year	—	—	—	—	—	—	—	82,212	82,212	87,840	170,052
Other comprehensive income for the year	—	—	954	—	—	—	—	—	954	—	954
Total comprehensive income for the year	—	—	954	—	—	—	—	82,212	83,166	87,840	171,006
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	(1,646)	(1,646)	(5,708)	(7,354)
Forfeiture of share options	—	—	—	—	(748)	—	—	748	—	—	—
Recognition of equity settled share-based payments	—	—	—	—	1,365	—	—	—	1,365	—	1,365
Dividend paid *(note 13)*	—	—	—	—	—	—	—	(5,957)	(5,957)	—	(5,957)
Shares issued under Open Offer *(note 30)*	973	169,274	—	—	—	—	—	—	170,247	—	170,247
Dividend recognized as distribution to non-controlling interests income	—	—	—	—	—	—	—	—	—	(52,839)	(52,839)
Transfers	—	—	—	—	—	45,570	—	(45,570)	—	—	—
Subtotal	973	169,274	—	—	617	45,570	—	(52,425)	164,009	(58,547)	105,462
At 31 December 2015	6,600	331,441	11,295	35,763	17,166	251,102	18,505	369,641	1,041,513	848,147	1,889,660
Profit for the year	—	—	—	—	—	—	—	**140,462**	**140,462**	**139,811**	**280,273**
Other comprehensive income for the year	—	—	**263**	—	—	—	—	—	**263**	—	**263**
Total comprehensive income for the year	—	—	**263**	—	—	—	—	**140,462**	**140,725**	**139,811**	**280,536**
Lapse of share options	—	—	—	—	**(14,712)**	—	—	**14,712**	—	—	—
Exercise of share options	**48**	**8,103**	—	—	**(2,454)**	—	—	—	**5,697**	—	**5,697**
Dividend paid *(note 13)*	—	—	—	—	—	—	—	**(11,790)**	**(11,790)**	—	**(11,790)**
Dividend recognized as distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	**(28,932)**	**(28,932)**
Transfers	—	—	—	—	—	**31,869**	—	**(31,869)**	—	—	—
Subtotal	**48**	**8,103**	—	—	**(17,166)**	**31,869**	—	**(28,947)**	**(6,093)**	**(28,932)**	**(35,025)**
At 31 December 2016	**6,648**	**339,544**	**11,558**	**35,763**	—	**282,971**	**18,505**	**481,156**	**1,176,145**	**959,026**	**2,135,171**

notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 **RMB'000**	2015 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**399,883**	242,014
Adjustments for:		
Allowance for inventories	**5,267**	11,604
Amortization of deferred income	**(1,467)**	(1,467)
Bank interest income	**(45,969)**	(36,823)
Loss (gain) on revaluation of investment properties	**642**	(137)
Depreciation of property, plant and equipment	**197,891**	201,042
Finance costs	**89,536**	72,484
Gain on derecognition of trade and other payables	**—**	(4,821)
Impairment loss on interest in joint ventures	**—**	8,000
Impairment losses recognized on trade receivables	**28,565**	23,403
Impairment loss reversed in respect of trade receivables	**(3,740)**	(1,472)
(Gain) loss on disposal of property, plant and equipment	**(6,157)**	5,468
Release of premium on prepaid lease payments	**25**	24
Release of prepaid lease payments	**6,074**	5,739
Equity settled share-based payments	**—**	1,365
Share of results of joint ventures	**11,039**	12,752
Government grants	**(12,318)**	(7,539)
Impairment loss on available-for-sale investment	**12,000**	—
Impairment loss on intangible assets	**547**	—
Operating cash flows before movements in working capital	**681,818**	531,636
Decrease (increase) in inventories	**305,134**	(341,010)
(Increase) decrease in trade and other receivables	**(617,420)**	642,065
Increase in bills receivables discounted with recourse *(note)*	**(5,426,735)**	(3,916,042)
Increase in trade and other payables	**259,672**	1,156,691
Increase (decrease) in provision for warranty	**11,599**	(12,826)
Cash used in operations	**(4,785,932)**	(1,939,486)
Income tax paid	**(18,321)**	(39,668)
NET CASH USED IN OPERATING ACTIVITIES	**(4,804,253)**	(1,979,154)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(1,517,258)	(2,687,693)
Purchase of property, plant and equipment	(127,679)	(79,721)
Deposits paid for acquisition of property, plant and equipment	(347,111)	(616,224)
Addition of prepaid lease payments	—	(30,310)
Acquisition of additional interest in subsidiaries	—	(7,354)
Capital injection in joint ventures	(34,614)	(20,955)
Withdrawal of pledged bank deposits	1,932,758	2,617,087
Bank interest income received	45,969	36,823
Proceeds from disposal of property, plant and equipment	64,457	14,474
Proceeds from government grants	39,260	43,089
NET CASH FROM (USED IN) INVESTING ACTIVITIES	55,782	(730,784)
FINANCING ACTIVITIES		
Advances drawn on bills receivables *(note)*	5,345,457	3,850,209
Proceeds from issue of shares	—	170,247
Bank borrowings raised	55,000	100,000
Repayment of bank borrowings	(3,492)	(392,135)
Repayment to a shareholder	(219,922)	(24,231)
Interest paid	(10,724)	(11,324)
Dividend paid	(11,790)	(5,957)
Dividend paid to non-controlling interests	(28,932)	—
Repayment to a related party	—	(3,235)
Issue of shares upon exercise of share options	5,697	—
NET CASH FROM FINANCING ACTIVITIES	5,131,294	3,683,574
NET INCREASE IN CASH AND CASH EQUIVALENTS	382,823	973,636
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,175,393	201,752
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	1,525	5
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	1,559,741	1,175,393

note: An increase in bills receivables discounted with recourse of RMB5,426,735,000 (2015: RMB3,916,042,000) and advances drawn on bills receivables of RMB5,345,457,000 (2015: RMB3,850,209,000) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

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

The Company acts as an investment holding company and its subsidiaries are engaged in the manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply. The details of its principal subsidiaries are disclosed in note 41.

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceed its current assets by approximately RMB973 million (2015: approximately RMB836 million) as at 31 December 2016. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the available banking facilities for issuance of bills payables and bank borrowings, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

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

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

Amendments to HKFRSs that are mandatory effective for the current year

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

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to HKFRSs in issue 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 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle[5]

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

HKFRS 9 "Financial Instruments"

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

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

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

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

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

HKFRS 9 "Financial Instruments" (continued)

The directors anticipate that the adoption of HKFRS 9 in the future may have a material effect on the Group's financial assets and financial liabilities based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2016. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group perform a detailed review.

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB76,737,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

4. 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.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

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

Revenue recognition

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

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognized when the goods are delivered and the titles have passed.

Service income is recognized when services are provided.

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.

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

Property, plant and equipment

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Investment properties

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building (continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis.

Foreign currencies

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

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

Borrowing costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

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

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

Retirement benefits costs

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

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

Taxation

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditures

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

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

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

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

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

AFS financial assets

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

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

Loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Other financial liabilities

Financial liabilities including trade and other payables, amount due to a shareholder, advances drawn on bills receivables discounted with recourse and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Financial guarantee contracts

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

Provisions

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

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

5. 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 trade receivables from third party customers

The assessment of the impairment loss on trade receivables arise from third party customers of the Group is based on the evaluation of collectability based on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the aging of the trade receivables balances, the repayment history and the current creditworthiness of each third party customer. Impairment is made based on the estimation of the future cash flow expected to be received.

As at 31 December 2016, the carrying amount of trade receivable from third party customers was RMB453,270,000 (net of allowance for doubtful debts of approximately RMB81,485,000) (2015: RMB537,153,000 net of allowance for doubtful debts of RMB55,334,000).

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 2016, the carrying amount of property, plant and equipment was RMB2,474,743,000 (2015: RMB2,154,838,000).

Provision for warranty

The Group makes warranty provision based on information available prior to the issuance of the consolidated financial statements indicating that it is probable that the Group will be required to settle the present obligations. As disclosed in note 27, the Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by management. If the costs are settled for an amount greater than management's estimation, a future charge to profit or loss will result. Likewise, if the costs are settled for an amount that is less that the estimation, a future credit to profit or loss will result.

As at 31 December 2016, the carrying amount of provision for warranty was RMB162,952,000 (2015: RMB151,353,000).

6. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

For the year ended 31 December 2016

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

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2015

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue						
External sales	3,620,766	7,689,088	2,141,264	125	—	13,451,243
Inter-segment sales	61,042	3,799	—	—	(64,841)	—
Total	3,681,808	7,692,887	2,141,264	125	(64,841)	13,451,243
Segment profit (loss)	169,916	187,374	18,975	(22,917)		353,348
Bank interest income						36,823
Impairment loss on interest in a joint venture						(8,000)
Central administrative costs						(54,921)
Share of results of joint ventures						(12,752)
Finance costs						(72,484)
Profit before taxation						242,014

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/loss represents the profit earned by/loss incurred by each segment without the allocation of central administrative costs, bank interest income, impairment loss on available-for-sale investment, impairment loss on intangible assets, impairment loss on interest in a joint venture, share of results of joint ventures and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 December 2016

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

At 31 December 2015

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

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

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

Other segment information

For the year ended 31 December 2016

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

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2015

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

6. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Note: Non-current assets excluded financial instruments.

Information about a major customer

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

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

7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

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

(b) Details of other income are as follows:

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

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

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

8. FINANCE COSTS

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

note: During the year ended 31 December 2016, interest of RMB26,062,000 (2015: RMB32,378,000) was paid to a shareholder in respect of bills discounted to that shareholder. Details of provision of facility are set out in note 37(v).

9. INCOME TAX EXPENSE

	2016 **RMB'000**	2015 RMB'000
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	**111,407**	69,963
Withholding tax on dividend distribution	**298**	2,323
Under (over) provision in prior years	**1,525**	(1,531)
	113,230	70,755
Deferred tax *(note 29)*		
Current year	**6,380**	1,207
	119,610	71,962

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards except that Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors") are approved as enterprises that satisfied as a High-New Technology Enterprise and entitle the preferential tax rate of 15% in 2015 and 2016.

The EIT Law also requires withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders.

During the year, deferred tax of RMB6,243,000 (2015: RMB3,929,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss accordingly.

9. INCOME TAX EXPENSE (continued)

Hong Kong

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

No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

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

	2016 ***RMB'000***	2015 *RMB'000*
Profit before taxation	**399,883**	242,014
Tax at the domestic income tax rate of 25% *(Note)*	**99,971**	60,504
Tax effect of share of results of joint ventures	**2,760**	3,188
Tax effect of expenses not deductible for tax purposes	**30,931**	28,293
Tax effect of deductible temporary differences not recognized	**7,523**	8,752
Tax effect of income not taxable for tax purposes	**(2,787)**	(3,275)
Tax effect of utilization of tax losses previously not recognized	**(8,513)**	(4,255)
Tax effect of tax losses not recognized	**8,993**	12,977
Tax effect of undistributed profits of PRC subsidiaries	**6,243**	3,929
Effect of concession tax rates of subsidiaries	**(28,171)**	(45,248)
Effect of different tax rates of subsidiaries	**1,135**	8,628
Under (over) provision in prior years	**1,525**	(1,531)
Income tax expense for the year	**119,610**	71,962

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 29.

10. PROFIT FOR THE YEAR

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

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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

		Other emoluments		
	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Contributions to retirement benefits schemes *RMB'000*	Total emoluments *RMB'000*
2016				
Yuan Zhijun *(notes 2 and 6)*	—	—	—	—
Lee Shing *(note 1)*	**1,315**	**410**	**53**	**1,778**
Zhong Xianhua *(notes 6 and 7)*	**156**	—	—	**156**
Liu Yaling	**185**	**15**	—	**200**
Yang Jianyong *(notes 2 and 6)*	—	—	—	—
Zuo Duofu	**123**	—	—	**123**
Ye Xiang	**175**	—	—	**175**
Wang Yuben *(note 5)*	**123**	—	—	**123**
Wei Hongwen *(notes 3, 6 and 7)*	**173**	—	—	**173**
Sun Shaoli *(notes 3, 6 and 7)*	**156**	—	—	**156**
	2,406	**425**	**53**	**2,884**
2015				
Wei Hongwen *(notes 3, 7 and 8)*	193	617	83	893
Lee Shing *(note 1)*	1,235	360	14	1,609
Sun Shaoli *(notes 3, 7 and 8)*	173	539	77	789
Zhong Xianhua *(notes 3, 7 and 8)*	174	431	73	678
Liu Yaling	174	14	—	188
Zhou Sheji *(note 4)*	95	587	8	690
Yu Xiumin *(note 4)*	26	—	—	26
Zuo Duofu	116	—	—	116
Ye Xiang	164	—	—	164
Wang Yuben *(note 5)*	90	—	—	90
	2,440	2,548	255	5,243

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

note 2: Mr. Yuan Zhijun and Mr. Yang Jianyong were appointed as executive directors of the Company with effect from 4 November 2016.

note 3: Mr. Wei Hongwen and Mr. Sun Shaoli resigned as executive directors of the Company with effect from 4 November 2016.

note 4: Mr. Yu Xiumin and Mr. Zhou Sheji resigned as an independent non-executive director and executive director of the Company with effect from 20 March 2015 and 17 July 2015, respectively.

note 5: Mr. Wang Yuben was appointed as an independent non-executive director of the Company with effect from 20 March 2015.

note 6: 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.

note 7: The directors' fees of the directors or former directors who were directors and/or senior management of Guangxi Automobile were subsequently reimbursed to Wuling (Hong Kong) Holdings Limited, the wholly-owned subsidiary of Guangxi Automobile and the immediate holding company of the Company.

note 8: The emoluments (other than the directors' fees) of the directors or former directors who were directors and/or senior management of Guangxi Automobile as shown in the table were ultimately paid and borne by Guangxi Automobile.

12. EMPLOYEES' EMOLUMENTS

(a) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2015: three) was director and the chief executive officer of the Company whose emolument is included in the disclosure in note 11 above. The emolument of the remaining four (2015: two) individual is as follows:

	2016 ***RMB'000***	2015 *RMB'000*
Salaries and other benefits	**3,462**	1,215
Bonus	**132**	647
Contributions to retirement benefits schemes	**214**	117
Total emolument	**3,808**	1,979

No emoluments were paid by the Group to the directors of the Company or the above individual as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2016 and 2015.

(b) Emoluments of senior management

Other than the directors of the Company, of the ten (2015: nine) senior management of the Group for the year ended 31 December 2016, four (2015: two) of the senior management are four (2015: two) of the top five highest paid individuals and the respective remuneration has been disclosed in Note 12(a).

The emoluments of the remaining six (2015: seven) individuals for the year were within the following bands:

	2016 ***Number of employees***	2015 *Number of employees*
HK$1 to HK$500,000	**1**	3
HK$500,001 to HK$1,000,000	**5**	4
	6	7

13. DIVIDEND

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

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

14. EARNINGS PER SHARE

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

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

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 2015	560,372	353	1,384,627	150,223	39,033	30,860	285,617	2,451,085
Exchange adjustments	—	24	—	15	23	—	—	62
Additions	1,833	—	15,727	24,902	212	1,424	474,433	518,531
Disposals	(197)	—	(39,189)	(1,300)	(4,425)	(1,583)	—	(46,694)
Transfer	146,079	—	132,025	46,215	47,835	2,363	(374,517)	—
At 31 December 2015	708,087	377	1,493,190	220,055	82,678	33,064	385,533	2,922,984
Exchange adjustments	—	26	—	17	—	—	—	43
Additions	10,445	—	17,623	14,303	6,022	4,458	523,235	576,086
Disposals	(8,404)	—	(84,945)	(19,099)	(153)	(835)	—	(113,436)
Transfer	102,076	—	224,970	49,792	20,886	1,701	(399,425)	—
At 31 December 2016	812,204	403	1,650,838	265,068	109,433	38,388	509,343	3,385,677
ACCUMULATED DEPRECIATION								
At 1 January 2015	72,756	165	463,814	31,754	10,766	14,551	—	593,806
Exchange adjustments	—	14	—	14	21	1	—	50
Provided for the year	39,031	72	89,728	53,661	12,630	5,920	—	201,042
Eliminated on disposals	(28)	—	(22,674)	(989)	(1,956)	(1,105)	—	(26,752)
At 31 December 2015	111,759	251	530,868	84,440	21,461	19,367	—	768,146
Exchange adjustments	—	21	—	12	—	—	—	33
Provided for the year	43,604	77	114,780	23,994	9,354	6,082	—	197,891
Eliminated on disposals	(2,088)	—	(40,543)	(11,571)	(141)	(793)	—	(55,136)
At 31 December 2016	153,275	349	605,105	96,875	30,674	24,656	—	910,934
CARRYING VALUE								
At 31 December 2016	658,929	54	1,045,733	168,193	78,759	13,732	509,343	2,474,743
At 31 December 2015	596,328	126	962,322	135,615	61,217	13,697	385,533	2,154,838

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

During the year ended 31 December 2016, the Group received government subsidy of RMB26,942,000 (2015: RMB35,550,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

16. PREPAID LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
At 1 January	**257,049**	225,468
Additions	**—**	37,320
Released to profit or loss	**(6,074)**	(5,739)
At 31 December	**250,975**	257,049
Analyzed as:		
Current portion	**6,088**	6,088
Non-current portion	**244,887**	250,961
	250,975	257,049

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

17. PREMIUM ON PREPAID LEASE PAYMENTS

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

18. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
FAIR VALUE		
At 1 January	**8,610**	7,936
Exchange realignment	**564**	537
(Decrease) increase in fair value recognized in profit or loss	**(642)**	137
At 31 December	**8,532**	8,610

18. 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 all situated in Hong Kong and held under medium-term lease.

(ii) The fair value of the Group's investment properties as at 31 December 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected to the Group.

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

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

One of the key inputs used in valuing the two investment properties was the price per square feet, which ranged from RMB3,771 to RMB4,581 and RMB1,790 to RMB1,976 (2015: RMB4,626 to RMB5,118 and RMB1,681 to RMB1,788), respectively. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment property and vice versa.

The fair value hierarchy of the Group's investment properties as at 31 December 2016 are categorised as level 3.

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

19. INTERESTS IN JOINT VENTURES

	2016 ***RMB'000***	2015 *RMB'000*
Cost of unlisted investments in joint ventures	**145,104**	110,490
Share of post-acquisition results	**(24,964)**	(13,925)
Impairment loss *(note)*	**(16,224)**	(16,224)
	103,916	80,341

Note: During the year ended 31 December 2015, an impairment loss of RMB8,000,000 (2016: Nil) was made in respect of the Group's interests in certain joint ventures. The impairment loss arose due to the worse than expected operating results of those joint ventures during the year ended 31 December 2015. No additional impairment was required in view that the operating results of the joint ventures did not significantly worsen during the year ended 31 December 2016.

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

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2016	2015	**2016**	2015	
Qingdao Dianshi Motor Accessories Company Limited ("Qingdao Dianshi")	PRC	**51%** ***(note)***	51% *(note)*	**51%**	51%	Manufacture of automotive accessories
Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang")	PRC	**50%**	50%	**50%**	50%	Manufacture of automotive accessories
Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte")	PRC	**51%** ***(note)***	51% *(note)*	**51%**	51%	Manufacture of engines
柳州五達汽車部件有限公司 ("柳州五達")	PRC	**51%** ***(note)***	51% *(note)*	**51%**	51%	Manufacture of automotive accessories

19. INTERESTS IN JOINT VENTURES (continued)

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

Summarized financial information of material joint ventures

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

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

	For the year ended 31 December 2016					For the year ended 31 December 2015				
	Qingdao Dianshi	**Guangxi Weixiang**	**Liuzhou Lingte**	**柳州五達**	**Total**	Qingdao Dianshi	Guangxi Weixiang	Liuzhou Lingte	柳州五達	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial information of consolidated statement of profit or loss and other comprehensive income										
Revenue	**123,613**	**191,065**	**—**	**1,759**	**316,437**	106,004	179,181	—	8	285,193
Profit (loss) for the year	**1,398**	**(11,948)**	**(8,949)**	**(2,380)**	**(21,879)**	1,256	(11,639)	(14,355)	(496)	(25,234)
Total comprehensive income (expense) for the year	**1,398**	**(11,948)**	**(8,949)**	**(2,380)**	**(21,879)**	1,256	(11,639)	(14,355)	(496)	(25,234)
Profit (loss) for the year, attributable to the Group	**713**	**(5,974)**	**(4,564)**	**(1,214)**	**(11,039)**	641	(5,820)	(7,321)	(252)	(12,752)
Total comprehensive income (expense) for the year, attributable to the Group	**713**	**(5,974)**	**(4,564)**	**(1,214)**	**(11,039)**	641	(5,820)	(7,321)	(252)	(12,752)
Dividends received from joint ventures during the year	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
The above financial information include the following:										
Depreciation and amortization	**(5,170)**	**(1,602)**	**(40)**	**(610)**	**(7,422)**	(3,855)	(1,239)	(40)	(2)	(5,136)
Interest income	**—**	**65**	**304**	**64**	**433**	5	123	319	41	488
Income tax expense	**(627)**	**—**	**—**	**—**	**(627)**	(574)	—	—	—	(574)

19. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of material joint ventures (continued)

	2016					2015				
	Qingdao Dianshi *RMB'000*	**Guangxi Weixiang** *RMB'000*	**Liuzhou Lingte** *RMB'000*	**柳州五達** *RMB'000*	**Total** *RMB'000*	Qingdao Dianshi *RMB'000*	Guangxi Weixiang *RMB'000*	Liuzhou Lingte *RMB'000*	柳州五達 *RMB'000*	Total *RMB'000*
Financial information of consolidated statement of financial position										
Non-current assets	**16,375**	**9,110**	**175,977**	**3,818**	**205,280**	20,401	8,033	109,803	2,647	140,884
Current assets	**39,040**	**139,365**	**44,866**	**6,797**	**230,068**	51,159	92,477	32,018	9,941	185,595
Current liabilities	**(44,376)**	**(120,719)**	**(2,402)**	**(1,490)**	**(168,987)**	(61,919)	(60,806)	(1,174)	(1,083)	(124,982)
Net assets of the joint ventures	**11,039**	**27,756**	**218,441**	**9,125**	**266,361**	9,641	39,704	140,647	11,505	201,497
The above amounts of assets and liabilities include the following:										
Cash and cash equivalents	**1,510**	**6,657**	**40,215**	**3,688**	**52,070**	1,521	4,208	23,481	8,169	37,379
Current financial liabilities (excluding trade and other payables and provisions)	**(474)**	**—**	**—**	**—**	**(474)**	(341)	—	—	—	(341)
Reconciliation to the carrying amounts of interest in the joint ventures:										
Net assets attributable to the equity holders of the joint ventures	**11,039**	**27,756**	**218,441**	**9,125**	**266,361**	9,641	39,704	140,647	11,505	201,497
Less: Capital reserve not shared by the Group	**—**	**—**	**(46,372)**	**—**	**(46,372)**	—	—	(27,500)	—	(27,500)
Proportion of the Group's ownership interests in the joint ventures	**51%**	**50%**	**51%**	**51%**	**varies**	51%	50%	51%	51%	varies
Net assets of interest in joint ventures attributable to the Group	**5,630**	**13,878**	**87,755**	**4,653**	**111,916**	4,917	19,852	57,705	5,867	88,341
Goodwill	**8,224**	**—**	**—**	**—**	**8,224**	8,224	—	—	—	8,224
Impairment losses on interests in joint ventures	**(8,224)**	**(8,000)**	**—**	**—**	**(16,224)**	(8,224)	(8,000)	—	—	(16,224)
Carrying amount of the Group's interests in the joint ventures	**5,630**	**5,878**	**87,755**	**4,653**	**103,916**	4,917	11,852	57,705	5,867	80,341

20. DEFERRED INCOME/AVAILABLE-FOR-SALE INVESTMENT

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

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

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

21. INVENTORIES

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

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

(i) Trade and other receivables

	Notes	2016 RMB'000	2015 RMB'000
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**3,269,474**	2,666,890
— Guangxi Automobile Group	*(b)*	**54,357**	85,062
— Guangxi Weixiang		**3,177**	3,915
— third parties		**891,915**	1,113,625
		4,218,923	3,869,492
Less: Allowance for doubtful debts		**(81,485)**	(55,334)
		4,137,438	3,814,158
Other receivables:			
Prepayments for expenses		**—**	3,927
Prepayments for purchase of raw materials	*(c)*	**331,374**	206,073
Value-added tax recoverable		**153,826**	8,945
Others		**90,443**	87,383
		575,643	306,328
Bills receivables discounted with recourse *(note 22(ii))*		**1,185,360**	887,215
Total trade and other receivables		**5,898,441**	5,007,701

notes:

(a) Guangxi Automobile has significant influence over SGMW.

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

(c) Included in the balance was an amount of RMB22,558,000 (2015: RMB3,507,000) paid to SGMW.

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

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

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

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

(i) Trade and other receivables (continued)

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

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of RMB135,176,000 (2015: RMB149,921,000) which were past due at the end of the reporting period but for which the Group has not provided impairment loss after considering 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.

Ageing of trade receivables which were past due but not impaired

	2016	2015
	RMB'000	*RMB'000*
91–180 days	**59,523**	64,792
181–365 days	**69,268**	76,149
Over 365 days	**6,385**	8,980
Total	**135,176**	149,921

Movement in the allowance for doubtful debts

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**55,334**	30,611
Impairment losses recognized on trade receivables	**28,565**	23,403
Amounts recovered during the year	**(3,740)**	(1,472)
Exchange adjustments	**1,326**	2,792
At 31 December	**81,485**	55,334

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB81,485,000 (2015: RMB55,334,000), based on the repayment history and the current creditworthiness of these customers that they will not be recovered based on the management's assessment. The Group does not hold any collateral over these balances.

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

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2015: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 28.

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

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

23. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2016 and 2015 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing. These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse:

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

24. 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	**2016**	2015
Pledged deposits	Fixed	**2%–3.08%**	2%–3.6%
Bank balances	Variable	**0.01%–1.15%**	0.01%–1.15%

25. TRADE AND OTHER PAYABLES

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

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

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

26. AMOUNT DUE TO A SHAREHOLDER

	2016 RMB'000	2015 RMB'000
Guangxi Automobile	**—**	219,922
Carrying amount repayable:		
On demand or within one year	**—**	28,608
More than one year, but not exceeding two years	**—**	191,314
	—	219,922
Less: Amount due within one year shown under current liabilities	**—**	(28,608)
Amounts shown under non-current liabilities	**—**	191,314

The entire balance was unsecured, interest-free and fully settled during the year ended 31 December 2016.

27. PROVISION FOR WARRANTY

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

The warranty provision represents management's best estimate under its 2–3 years' product warranty granted to its specialized vehicles, automobile components and engines customers. However, based on prior experience and industry averages for defective products, it is expected that the majority of this expenditure will be incurred in the next two years.

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

	notes	**2016** **RMB'000**	2015 *RMB'000*
Secured		**55,903**	2,895
Carrying amount repayable on demand or within one year	*(i)*	**55,073**	2,050
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)		**830**	845
Amount due within one year shown under current liabilities		**55,903**	2,895
Advances drawn on bills receivables discounted with recourse	*(ii)*	**1,177,555**	881,876

notes:

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

(ii) The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 22(ii)).

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

	2016	2015
Effective interest rate:		
Variable-rate borrowings	**5.25%**	2.39%

(iv) The collaterals for the Group's secured bank borrowings are set out in note 33.

(v) The Group's unsecured bank borrowings and bills payables are supported by corporate guarantee to the extent of RMB2,850,000,000 (2015: RMB3,000,000,000) given by Guangxi Automobile.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. 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 2015	3,858	(9)	11,883	15,732
Released upon distribution of dividends	—	—	(2,323)	(2,323)
(Credit) charge to profit or loss	(399)	—	3,929	3,530
At 31 December 2015	3,459	(9)	13,489	16,939
Released upon distribution of dividends	**—**	**—**	**(298)**	**(298)**
Charge to profit or loss	**435**	**—**	**6,243**	**6,678**
At 31 December 2016	**3,894**	**(9)**	**19,434**	**23,319**

notes:

(i) At the end of the reporting period, the Group had unused tax losses of RMB230,358,000 (2015: RMB237,086,000). A deferred tax asset has been recognized in respect of tax losses of RMB62,000 as at 31 December 2016 (2015: RMB62,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB230,296,000 (2015: RMB237,024,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB7,072,000 (2015: RMB27,212,000) that will expire within five years. Other tax losses of RMB223,224,000 (2015: RMB209,874,000) 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 amounting to RMB39,161,000 (2015: RMB31,638,000).

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

30. SHARE CAPITAL

	Number of shares	Amount *HKD'000*
Authorized:		
Ordinary shares of HKD0.004 each	**25,000,000,000**	100,000
Convertible preference shares of HKD0.001 each	**1,521,400,000**	1,521
Balance at 1 January 2015, 31 December 2015 and 31 December 2016		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2015	**1,517,992,976**	6,072
Issuance of shares upon Open Offer *(note 1)*	**303,598,595**	1,214
At 31 December 2015	**1,821,591,571**	7,286
Exercise of share options *(note 2)*	**14,230,270**	57
At 31 December 2016	**1,835,821,841**	7,343

30. SHARE CAPITAL (continued)

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

note 1: On 30 July 2015, the Company completed an open offer of 303,598,595 offer shares of HKD0.004 each at a subscription price of HKD0.7 per offer share on the basis of one offer share for every five existing shares of the Company ("Open Offer"). An aggregate proceeds of HKD212,519,000 (equivalent to RMB170,247,000), of which HKD1,214,000 (equivalent to RMB973,000) was credited to share capital and the remaining balance of HKD211,305,000 (equivalent to RMB169,274,000) was credited to share premium.

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

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

31. SHARE OPTION SCHEME

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

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

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

31. SHARE OPTION SCHEME (continued)

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

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

183,582,184 ordinary shares, being 10% of the issued share capital.

Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

Amount payable on acceptance

HKD1.00

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.

31. SHARE OPTION SCHEME (continued)

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

For the year ended 31 December 2016

				Number of share options			
Date of grant	Vesting date	Exercise period	Adjusted exercise price per share *(note i)*	As at 1 January 2016	Exercised during the year	Lapsed during the year	As at 31 December 2016
Directors							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	15,454,500	(6,181,800)	(9,272,700)	—
Former Director							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	3,090,900	(2,060,600)	(1,030,300)	—
Employees (Continuous Contracts)							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	75,613,717	(5,987,870)	(69,625,847)	—
29 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.476	463,635	—	(463,635)	—
21 January 2015	5 May 2015	From 6 May 2015 to 30 June 2016	HKD0.544	13,806,020	—	(13,806,020)	—
				89,883,372	(5,987,870)	(83,895,502)	—
Total				108,428,772	(14,230,270)	(94,198,502)	—
Exercisable at year end							—
Weighted average exercise price				HKD0.485	HKD0.476	HKD0.476	N/A

31. SHARE OPTION SCHEME (continued)

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

For the year ended 31 December 2015

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

notes:

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

ii. During the year ended 31 December 2015 and 2016, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

As at 31 December 2015, included in the share options held by the employees were 1,648,480 share options which were granted to an employee of the Company who is the spouse of Mr. Lee. These share options were fully exercised during the year ended 31 December 2016.

31. SHARE OPTION SCHEME (continued)

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

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

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

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

In respect of the share options exercised during the year ended 31 December 2016, the weighted average closing price of the company's shares immediately before the dates on which the options were exercised is HKD0.60.

All remaining share options were lapsed as at 31 December 2016.

32. CAPITAL AND OTHER COMMITMENTS

	2016 ***RMB'000***	2015 *RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	**104,916**	186,499
— property, plant and equipment	**271,807**	452,046
	376,723	638,545

33. PLEDGE OF ASSETS

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

	2016 **RMB'000**	2015 RMB'000
Bank deposits	**302,630**	718,130
Investment properties	**4,942**	4,590
	307,572	722,720

As at 31 December 2016, bills receivables discounted with full recourse amounting to RMB1,185,360,000 (2015: RMB887,215,000).

34. 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 RMB51,966,000 (2015: RMB59,037,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2016.

35. NON-CASH TRANSACTIONS

During the year ended 31 December 2016:

(i) Deposits paid for acquisition of property, plant and equipment of RMB475,604,000 (2015: RMB474,434,000) were transferred to property, plant and equipment;

(ii) Bills receivables discounted with recourse of RMB5,128,590,000 (2015: RMB3,267,727,000) has been netted off against advances drawn on bills receivables discounted with recourse when the bills receivables discounted with recourse have been settled; and

(iii) Finance cost of RMB78,812,000 (2015: RMB61,160,000) has been netted off against advances drawn on bills receivables discounted when the bills receivables were discounted.

During the year ended 31 December 2015, dividend declared to Guangxi Automobile of RMB47,680,000 was settled by offsetting against the amount due to Guangxi Automobile.

36. OPERATING LEASES

The Group as lessor

Property rental income from investment properties earned during the year was RMB142,000 (2015: RMB125,000). One of the Group's investment properties is held for rental purpose. It is expected to generate rental yields of 5% (2015: 5%) on an ongoing basis. The property held has committed tenants for the next year (2015: next year).

Machinery and other property rental income earned during both years are disclosed in note 7(b). At 31 December 2016 and 2015, all machineries held had no significant committed lessee.

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

	2016 ***RMB'000***	2015 *RMB'000*
Within one year	**145**	167
In the second to fifth year inclusive	**246**	52
	391	219

The Group as lessee

Minimum lease payments made under operating leases during the year was RMB47,239,000 (2015: RMB41,282,000).

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

	2016 ***RMB'000***	2015 *RMB'000*
Within one year	**38,965**	37,749
In the second to fifth year inclusive	**37,772**	73,365
	76,737	111,114

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.

37. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2016 RMB'000	2015 RMB'000
SGMW	Sales by the Group *(note 6)*	**13,084,973**	9,421,026
	Purchases of materials by the Group	**5,973,118**	3,140,594
	Warranty costs incurred by the Group	**841**	3,239
	Service income for warehouse management and related services	**715**	1,199
Guangxi Automobile Group	Sales of:		
	Raw materials and automotive components by the Group *(note)*	**324,000**	181,487
	Provision of water and power supply services by the Group *(note)*	**2,196**	2,688
		326,196	184,175
	Purchase of:		
	Automotive components and other accessories by the Group *(note)*	**71,057**	74,712
	Mini passenger buses by the Group *(note)*	**393,913**	267,995
	Air-conditioning parts and accessories by the Group *(note)*	**6,319**	5,334
	Electronic devices and components by the Group *(note)*	**813**	6,738
		472,102	354,779
	License fee paid by the Group	**1,226**	1,300
	Rental expenses paid by the Group (see vi below) *(note)*	**35,889**	27,925
	Interest expenses paid by the Group on		
	— Amount due to a shareholder	**—**	141
	— Advances drawn on bills receivables (see v below)	**26,062**	32,378
Qingdao Dianshi	Purchase of automotive components and other accessories by the Group	**123,585**	118,279
	Sales of raw materials and automotive components by the Group	**21,845**	18,434
Guangxi Weixiang	Sales of raw materials and automotive components by the Group	**5,539**	37,714
	Purchase of automotive components and other accessories by the Group	**1,939**	33,954

Note: These transactions are considered as continuing connected transaction under the Rule Governing the Listing of Securities on the Stock Exchange. Details of these continuing connected transactions are described in the Report of Director under the heading "Continuing Connected Transactions" on pages 68 to 70 of this annual report.

37. RELATED PARTY DISCLOSURES (continued)

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out in notes 22, 25 and 26.

(iii) Guarantees provided

The guarantees provided to the Group and by Guangxi Automobile are set out in note 28(v).

(iv) Compensation of key management personnel

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

	2016 RMB'000	2015 RMB'000
Short-term benefits	8,765	9,796
Post-employment benefits	563	789
	9,328	10,585

(v) Provision of facility

During the year, Guangxi Automobile agreed to provide a facility to the Group, whereby the Group could discount, without recourse, its bills receivables to Guangxi Automobile to the extent of RMB2,850,000,000 (2015: RMB3,000,000,000). The discounting rate per annum was the most favorable discounting rates offered in the market from time to time (2015: the lower of 90% of market discounting rates or a fixed rate of 3.5%). During the year, the Group discounted bills receivables of RMB2,347,613,000 (2015: RMB1,860,000,000) to Guangxi Automobile with a maturity period less than 180 days and at an average discounting rate of 2.8% per annum (2015: 3.5% per annum).

(vi) Commitments

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

	2016 RMB'000	2015 RMB'000
Within one year	36,418	36,655
In the second to fifth year inclusive	36,418	73,311
	72,836	109,966

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the amount due to a shareholder, advances drawn on bills receivables discounted with recourse and bank borrowings as disclosed in notes 26 and 28 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.

39. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2016 ***RMB'000***	2015 *RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,275,612**	6,717,506
Available-for-sale investment	**10,000**	22,000
Financial liabilities		
Amortized cost	**8,444,704**	8,714,792

39. FINANCIAL INSTRUMENTS (continued)

(ii) Financial risk management objectives and policies

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

(a) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 0.1% 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.

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	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
HKD	**1,705**	764	**903**	2,895
USD	**179**	25	**—**	—

Sensitivity analysis

The Group is mainly exposed to HKD and USD.

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

	2016	2015
	RMB'000	*RMB'000*
Impact on post-tax profit		
— HKD	**(33)**	91
— USD	**(8)**	(1)

39. FINANCIAL INSTRUMENTS (continued)

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

(b) Interest rate risk

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

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

The Group's exposures to fair value interest rate on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates on its variable-rate borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout both years in the case of instruments that have floating rates. A 50 basis point increase or decrease is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease by RMB276,000 (2015: RMB12,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

(c) Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

39. FINANCIAL INSTRUMENTS (continued)

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

(c) Credit risk (continued)

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 22) which represents 79% (2015: 70%) of the total trade and bills receivables as at 31 December 2016. For both years, SGMW, which is a well known private company engaging in the business of manufacturing and sales of automobiles in Guangxi, the PRC, has good financial position by reference to its respective financial statements, which are regularly reviewed by Guangxi Automobile. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In view of the significant balance due from SGMW, the Group has kept regular contact with SGMW for updated information. In addition, as Guangxi Automobile has representative in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

The credit risk on liquid funds is limited because the counterparties are banks in the PRC with high credit rating.

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on advances drawn on bills receivables discounted with recourse and also bank borrowings as significant sources of liquidity.

The Group is exposed to liquidity risk to being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of the Group as at 31 December 2016 was RMB972,575,000 (2015: RMB835,503,000). 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.

39. FINANCIAL INSTRUMENTS (continued)

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

(d) Liquidity risk (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1—3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2016						
Non-derivative financial liabilities						
Trade and other payables	—	3,721,965	1,077,590	2,411,691	7,211,246	7,211,246
Bank borrowings						
— variable rate	5.25	55,903	—	—	55,903	55,903
Other borrowings						
— advances drawn on bills receivables discounted with recourse	2.81	163,538	1,039,099	—	1,202,637	1,177,555
		3,941,406	2,116,689	2,411,691	8,469,786	8,444,704

	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 flow RMB'000	Carrying amount RMB'000
2015							
Non-derivative financial liabilities							
Trade and other payables	—	4,829,883	801,733	1,926,272	52,211	7,610,099	7,610,099
Amount due to a shareholder	—	28,608	—	—	191,314	219,922	219,922
Bank borrowings							
— fixed rate	4.50	845	—	—	—	845	845
— variable rate	2.39	2,058	—	—	—	2,058	2,050
Other borrowings							
— advances drawn on bills receivables discounted with recourse	4.83	206,907	397,535	307,241	—	911,683	881,876
		5,068,301	1,199,268	2,233,513	243,525	8,744,607	8,714,792

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 2016, the aggregate undiscounted principal amounts of these bank loans amounted to RMB55,903,000 (2015: RMB845,000). 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 within 1 year or up to 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to RMB60,870,000 (2015: RMB902,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if actual changes in variable interest rates differ to those estimated at the end of the reporting period.

39. FINANCIAL INSTRUMENTS (continued)

(iii) Fair value measurements of financial instruments

Fair value of financial instruments that are recorded at amortized cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values at the end of the reporting period, except for the available-for-sale investment measured at cost less impairment, of which the directors of the Company are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2016 and 2015 are as follows:

	note	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		54	126
Unlisted investments in subsidiaries		654,820	494,820
		654,874	494,946
CURRENT ASSETS			
Dividend receivables		26,135	26,135
Amounts due from subsidiaries		3,603	—
Prepayments and deposits		4,874	599
Cash and cash equivalents		1,364	125,282
		35,976	152,016
CURRENT LIABILITIES			
Other payables and accruals		5,142	3,047
Amounts due to subsidiaries		—	2,057
Bank borrowings		55,000	1,985
		60,142	7,089
NET ASSETS		630,708	639,873
CAPITAL AND RESERVES			
Share capital		6,648	6,600
Reserves	(i)	624,060	633,273
TOTAL EQUITY		630,708	639,873

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

note:

(i) Reserves

	Share premium *RMB'000*	Contributed surplus *RMB'000*	Share option reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2015	162,167	94,381	16,549	157,114	430,211
Profit and total comprehensive income for the year	—	—	—	38,380	38,380
Share issued under Open Offer	169,274	—	—	—	169,274
Forfeiture of share options	—	—	(748)	748	—
Recognition of equity settled share-based payment	—	—	1,365	—	1,365
Dividend recognized as distribution	—	—	—	(5,957)	(5,957)
At 31 December 2015	331,441	94,381	17,166	190,285	633,273
Loss and total comprehensive expense for the year	—	—	—	(3,072)	(3,072)
Exercise of share options	8,103	—	(2,454)	—	5,649
Lapse of share options	—	—	(14,712)	14,712	—
Dividend recognized as distribution	—	—	—	(11,790)	(11,790)
At 31 December 2016	339,544	94,381	—	190,135	624,060

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.

41. PRINCIPAL SUBSIDIARIES

(i) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Class of shares held	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings 2016 Direct %	Interest holdings 2016 Indirect %	Interest holdings 2015 Direct %	Interest holdings 2015 Indirect %	Principal activities
Wuling Industrial	N/A	The PRC 30 October 2006 *(note iii)*	RMB1,042,580,646 (2015: RMB960,000,000)	**54.86** *(note i)*	**—**	50.98 *(note i)*	—	Investment holding, manufacture and sale of automotive components and spare parts, specialized vehicles and other industrial services
柳州五菱柳機動力有限公司 Liuji Motors	N/A	The PRC 16 June 1993 *(note iii)*	RMB100,125,389	**—**	**54.86** *(note ii)*	—	50.98 *(note ii)*	Manufacture and sale of petrol engines and motor cycles engines
無錫五菱動力機械有限責任公司	N/A	The PRC 15 July 2005 *(note iii)*	RMB6,000,000	**—**	**37.30** *(note ii)*	—	34.67 *(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	**—**	**54.86** *(note ii)*	—	50.98 *(note ii)*	Manufacture and sale of accessories of motor vehicles
吉林緯豐柳機內燃機有限公司	N/A	The PRC 3 August 2003 *(note iii)*	RMB38,000,000	**—**	**41.15** *(note ii)*	—	38.24 *(note ii)*	Inactive
柳州卓通汽車工業有限公司	N/A	The PRC 21 November 2013 *(note iii)*	RMB10,000,000	**—**	**54.86** *(note ii)*	—	50.98 *(note ii)*	Manufacture and sale of accessories of motor vehicles
重慶卓通汽車工業有限公司 Chongqing Zhaotong Automotive Parts and Components Company Limited ("Chongqing Zhaotong")	N/A	The PRC 19 May 2014	RMB150,000,000	**—**	**54.86** *(note ii)*	—	50.98 *(note ii)*	Manufacture and sale of accessories of motor vehicles
Watary Investments Limited	Ordinary	British Virgin Islands/ Hong Kong	USD36,000	**100**	**—**	100	—	Investment holding
Dragon Hill (HK) Limited	Ordinary	Hong Kong	HKD200,000	**—**	**100**	—	100	Trading of marketable securities
DH Corporate Services Limited	Ordinary	Hong Kong	HKD2	**—**	**100**	—	100	Provision of administrative services
Pt. LZWL Motors Limited	N/A	Indonesia 17 March 2016	USD31,280,000	**—**	**100**	N/A	N/A	Inactive

41. PRINCIPAL SUBSIDIARIES (continued)

(i) General information of subsidiaries (continued)

notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and Guangxi Automobile in 2007, the Company has control on Wuling Industrial, and the Company shares profit or loss of Wuling Industrial according to the amount of its paid up capital contribution in Wuling Industrial. The profit sharing ratio at 31 December 2016 of the Company and Guangxi Automobile in Wuling Industrial were 54.86% and 45.14%, respectively (2015: 50.98% and 49.02%).

(ii) This represents the effective interest held by the Company. These subsidiaries are held by the Group through Wuling Industrial.

(iii) The subsidiaries are all sino-foreign equity joint ventures.

(iv) None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

(v) The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are operated in the PRC. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Principal place of business	Number of subsidiaries 2016	2015
Manufacture and sale of engine	PRC	**1**	1
Manufacture and sale of special vehicles	PRC	**1**	1
Inactive	Hong Kong	**5**	3

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Wuling Industrial	PRC	**45.14**	49.02	**139,811**	98,543	**959,026**	848,206

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

41. PRINCIPAL SUBSIDIARIES (continued)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Wuling Industrial

	2016 RMB'000	2015 RMB'000
Current assets	**9,225,328**	8,556,425
Non-current assets	**3,136,923**	2,936,763
Current liabilities	**10,180,464**	9,549,715
Non-current liabilities	**21,416**	213,147
Equity attributable to owners of Wuling Industrial	**1,201,345**	882,120
Equity attributable to the non-controlling interests	**959,026**	848,206

	Year ended 31.12.2016 RMB'000	Year ended 31.12.2015 RMB'000
Revenue	**16,667,553**	13,451,118
Expenses	**16,362,738**	11,930,210
Profit and total comprehensive income for the year	**304,815**	201,026
Profit and total comprehensive income attributable to the non-controlling interests	**139,811**	98,543
Dividends paid to non-controlling interests	**28,932**	94,126
Net cash outflow from operating activities	**(4,887,474)**	(1,942,607)
Net cash inflow (outflow) from investing activities	**27,315**	(736,601)
Net cash inflow from financing activities	**5,355,502**	3,541,134
Net cash inflow	**495,343**	861,926

42. EVENT AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
(appointed on 4 November 2016)
Mr. Lee Shing *(Vice-chairman and Chief Executive Officer)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong *(appointed on 4 November 2016)*
Mr. Wei Hongwen *(resigned on 4 November 2016)*
Mr. Sun Shaoli *(resigned on 4 November 2016)*

Independent Non-Executive Directors

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben

AUDIT COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Zuo Duofu
Mr. Wang Yuben

REMUNERATION COMMITTEE

Mr. Zuo Duofu *(Chairman)*
Mr. Ye Xiang
Mr. Wang Yuben

NOMINATION COMMITTEE

Mr. Yuan Zhijun *(Chairman)*
(appointed on 4 November 2016)
Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Lee Shing
Mr. Wang Yuben
Mr. Wei Hongwen *(resigned on 4 November 2016)*

COMPANY SECRETARY

Mr. Lai Shi Hong Edward

AUDITORS

Deloitte Touche Tohmatsu

SOLICITOR

Sidley Austin

PRINCIPAL BANKERS

Hong Kong

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

PRC

Bank of China Limited
Industrial and Commercial Bank of China Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
China Everbright Bank Co., Limited
Hua Xia Bank Co., Limited
China Citic Bank
Industrial Bank Co., Limited

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Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN BERMUDA

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