WULING MOTORS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

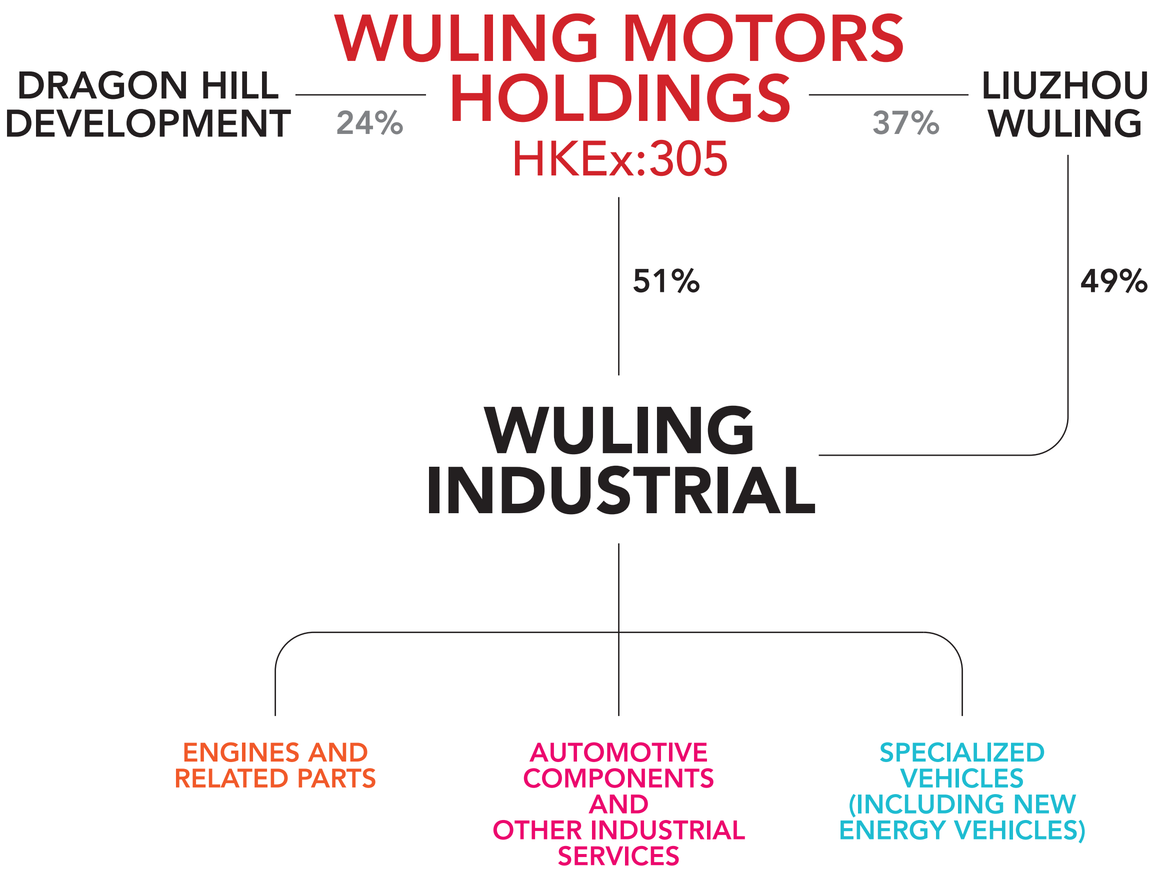
HKEx Stock Code: 305

ANNUAL REPORT 2013

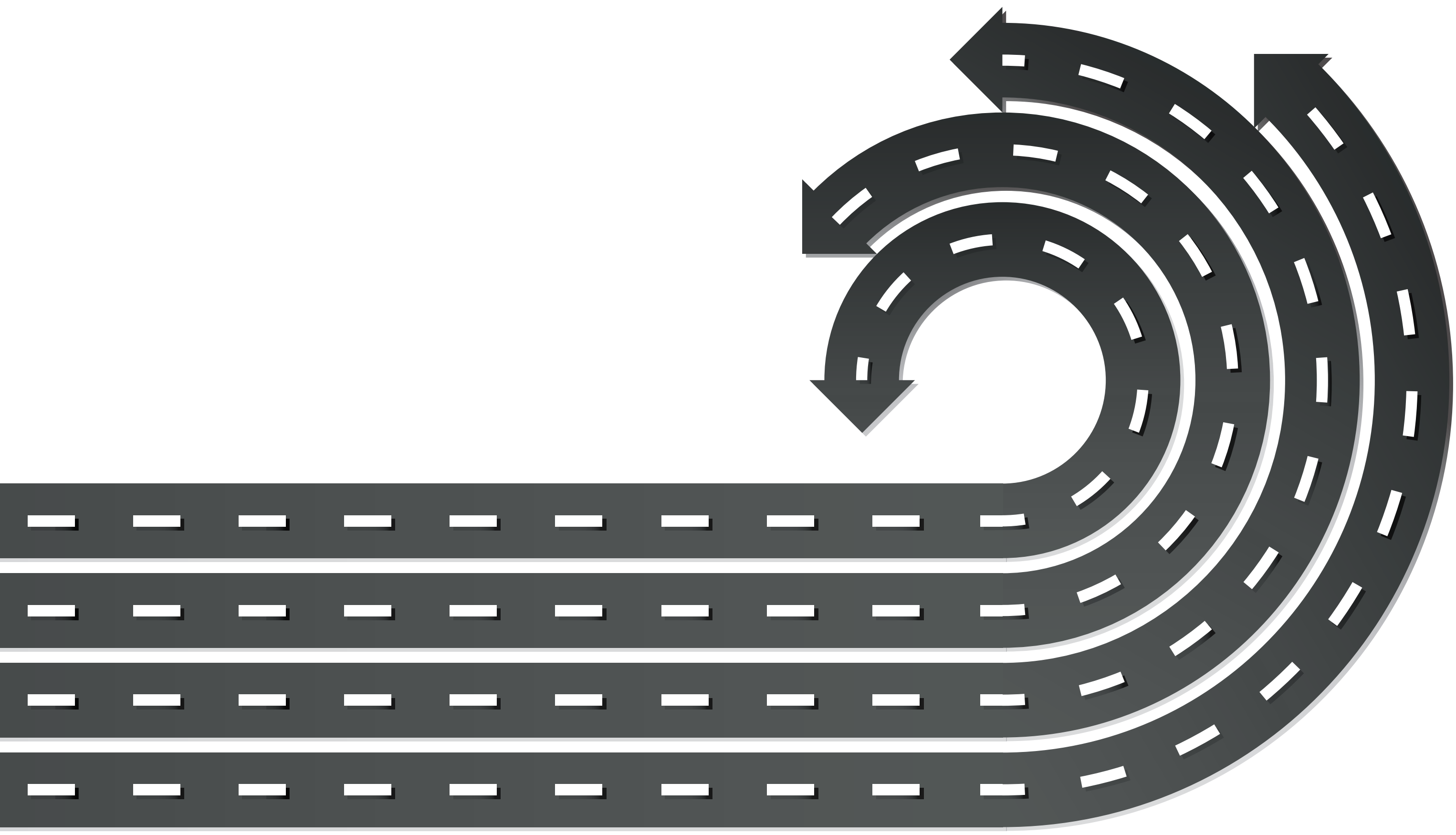
CORPORATE PROFILE

Wuling Motors Holdings Limited is principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles in China. Partnered with Liuzhou Wuling Motors Company Limited, a reputable state-owned enterprise with extensive industry experiences, our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China. The Group is the leading commercial-type mini-vehicle's engines and automotive components manufacturer as well as a qualified enterprise for manufacturing electrical mini-truck in China. The Group's main production facilities are located in Liuzhou and Qingdao. Since 2011, it has been ranked as one of the Fortune China 500 Enterprises.

GROUP STRUCTURE



CONTENT



Implement Innovative Management Models
Optimize Management Structure
Enhance Product Structure

Preface

In 2013, facing the challenging market environments, Wuling Motors Holdings Limited (hereinafter refer to as the "Group" or "Wuling Motors") adhered to its corporate goals of "Pursuing Stable Growth, Enhancing Business Structure, Promoting Sustainable Development". Through implementing various operating measures, such as accelerating the research and development of new products, exploring new markets, pursuing new projects and achieving breakthroughs in new businesses, the Group continued to implement innovative management models, optimize management structure and enhance product structure so as to strengthen its core competitiveness. In line with the subsisting growth in the industry, in 2013, the Group achieved satisfactory results and recorded a turnover of RMB12,037,324,000, representing a slight increase of 1.5% as compared to the prior year. Net profit of the Group was RMB106,034,000 and profits attributable to the owners of the Company was RMB50,528,000.

Review of Major Achievements in 2013

2013 is crucial to the Group's implementation of strategic transformation. With a view to attain stable growth, the Group actively enhanced its product structure and adopted various modification and upgrade measures. In addition to research and application of automation in a proactive approach to meet the product quality required by its customers, the Group also consolidated its investment strategies, established a solid foundation, strived for sustainable growth, and focused on risk management to improve its risk protection and control capability. Looking back at the previous year, the major achievements of the Group were as follows:

1. **Strengthening core competitiveness for key components and emphasizing on quality and production capacity of component business**

In order to fulfill its target of self-production of key components, the Group gradually carried out automatic production projects to strengthen its competitiveness during the year. By enhancing the production technology and quality of door panel products for passenger cars, the Group introduced core component products for passenger car axles and further expanded its market share of high value-added automobile sheet metal products in the component market for passenger cars. Several types of component products of the Group met the quality requirements of passenger cars. On the basis of stabilizing the component business for commercial-type vehicles, the Group successfully tapped into new markets of component products for passenger vehicles. The Group was not only the provider of component products for all types of vehicles under SGMW, but also the exclusive supplier of model S bumpers for Wuling Hongguang and rear axles products of mini-vehicles for Beiqi Yinxiang, and thus brought positive impacts to the results of the component and other industrial services division. In 2013, automotive component and other industrial service divisions recorded a turnover of RMB6,657,943,000.

2. Boosting sales volumes and achieving business growth of self-developed vehicles

In 2013, the Group adhered to its operating strategy and continued to develop new products for its specialized vehicle division to satisfy the market demand. A number of new product models were launched, with an annual sales volume of approximately 47,000 units, representing an increase of approximately 17.5% as compared to prior year. Mini school buses complying with the new national requirements were also launched and gained the largest market share in the school bus (below 6 meters) market. The annual sales volume of buses, including school buses, were approximately 4,000 units, representing an increase of 68.3% as compared to the prior year. In June 2013, the mini natural gas (NG) buses self-developed by the Group were officially launched, marking a breakthrough in the development of this type of vehicles in the PRC. In September 2013, the Group and its customers jointly constructed the first model operating route for transportation vehicles using new energy in Guangxi, setting the milestone of practical application of new energy vehicles in Guangxi.

3. Focusing on research and application of automation to enhance the comprehensive quality standard of various components

Since the impact of demographic dividend on the development of the industry gradually diminished and the product quality required by its customers kept rising, it was inevitable for the Group to introduce automation measures to the production of component products for mini vehicles. Capitalizing on such operating strategy, the Group successfully enhanced its productivity, lowered its labor cost and improved its operating efficiency, which together enabled the Group to better cope with surging labor cost and recruitment difficulties, and satisfy the comprehensive requirements of customers from enhanced product quality. The Group stepped up to this initiative and established a specialized team responsible for automation. After taking into consideration the actual operating conditions of each production divisions within the Group, the Group introduced automatic demand concepts, including full utilization of facilities, highly flexible demand and short payback period for investment. Combined with the appropriate strategies such as internal integration and outsourcing, the Group developed suitable low-cost automatic production lines so as to improve its productivity. The Group has successfully promoted the application of robotic technology to welding and plastic parts and attained enormous enhancement in production efficiency and quality, in turn consolidating its position in the market.

4. Strengthening investment management and establishing a solid foundation for subsisting growth momentum

With a view to keep abreast with the development of customers and shifting its focus to high value-added products as well as optimizing the overall operating management and business structure, the Group's component and other industrial service divisions increased its investments in the construction of infrastructure. In 2013, the new construction projects in Hexi Industrial Park and Yanghe Industrial Park in Liuzhou were completed and put into operation. In the meantime, the Group has been planning to establish a component production base for passenger vehicles at Liudong New District, aiming at strengthening its core competitiveness and establishing a solid foundation for sustainable development of the Group's business in future. Leveraging on its production capability of 2 million car axles and technology enhancement projects, the Group's vehicles with core competitive edges were well received by its customers during the period. The Group also aggressively commenced certain new projects. The integrated plant for welding parts in Hexi was completed and put into full operation, becoming the plant of sample endorsement for welding product suppliers of its major customers. Driven by the projects implemented in pace with the development of its customers, Wuling Motors successfully showed obvious improvement for its business development, provided new production bases for its customers, enhanced its operational capability and established a solid foundation for development.

5. **Focusing on risk management and improve its capability on risk aversion**

In 2013, in addition to optimizing management workflow, the Group also fully initiated its risk management programmes. By rationalizing the current risk management work, the Group formulated an overall risk management proposal according to its development requirement, identified its risk management goals and targets of each stage after discussion with certain intermediaries, and implemented a regular reporting mechanism for overall risk management. The Group has gradually established an effective risk management mechanism based on these programmes.

Major business focus for the coming year

The Group will continue to uphold its corporate goals of "Optimizing Business Structure, Promoting Business Reform, Lowering Costs, Enhancing Efficiency and Raising Product Quality" in the coming year, so as to improve its business performance and operating efficiency. In view of the prevailing market situation, the Group is committed to broaden its operation philosophy and focus on efficient and promising businesses, meanwhile exercising hardheaded policies towards the loss-making businesses. By shifting its resources to profitable businesses and optimizing its business units, coupled with maintaining product quality, lowering costs and enhancing efficiency, the Group aims at creating better returns.

To ensure sustainable future development, the Group will continue to focus on its major projects, such as technical enhancement, research and development of new products, new production base and equity investments in the coming year. The Group will also strengthen its research and development capabilities of new and market-oriented products, and further consolidate its core competitive strengths.

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

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

Sun Shaoli
Chairman
25 March 2014

Formulate Appropriate Business and Market Strategies Responding to the Dynamic Market Situation

Results and Performances

I am pleased to present the audited results of Wuling Motors Holdings Limited for the year ended 31 December 2013.

During the year of 2013, the Group recorded total revenue of RMB12,037,324,000, representing a slight increase of 1.5% as compared to last year.

Gross profit for the year under review was RMB1,259,449,000, representing a slight increase of 2.0%. Increases in revenue and gradual improvement in the scale operations of the automotive components and specialized vehicles divisions benefited the margin performance of the Group, in spite of the adverse effects from an increase in the operating cost incurred for various capacity expansion and upgrading projects and the continuous operating losses incurred by the foundry facilities of the engines division during the year.

Benefited from the reversal of a withholding tax as explained below, net profit of the Group for the year was RMB106,034,000, representing an increase of 7.6% as compared to last year. However, increases in the general and administrative expenses, primarily attributable to the increases in staff and administrative costs incurred for the operations of the new facilities impeded a more remarkable performance in profitability. Profits attributable to the owners of the Company was RMB50,528,000, representing an increase of 25.6%. The increase was primarily attributable to the reversal and refund of a withholding tax amounting to approximately RMB15,000,000 which was previously provided by the Company. The reversal was made pursuant to a notice issued by the relevant tax authority in July 2013, it was confirmed that the profits generated from our principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") which are entitled by the Group was allowed to be subject to a lower withholding tax rate with effect from October 2009.

Subsequent to the year end, on 28 January 2014, the Company issued new convertible notes with an aggregate principal amount of HK$200,000,000 equivalent to approximately RMB157,580,000 to Wuling HK for the repayment of the existing convertible loan notes and advance from Wuling HK which were both repayable in 2014. The issue of the new convertible notes enabled the Company to raise mid-term source of finance at a reasonable cost and enhanced the liquidity position of the Group.

Opportunities and Challenges

The economic environment in China continued to undergo certain structural adjustments during the year of 2013. Different enterprises in different economic aspects faced different extent of challenges and difficulties where the China automobile industry was also subjected to. According to the data released by China Association of Automobile Manufacturers, the optimistic trend of the automobile industry in China continued in the year of 2013 where total number of motor vehicles sold in China increased steadily by 17.9% as compared to the previous year and reached 21.3 million units. Such increase was, however, mainly attributable to the growth in particular segments, such as the passenger vehicles segment in the automobile industry. When taking our Group focused commercial-type vehicles segment into account solely, the growth was only moderate. As a major participant in the commercial-type vehicles segment in China, the Group envisages the market condition will continue to be mixed with different challenges and difficulties which will exert significant influence on the Group business strategies and performance in facing with the future.

As stated in our previous annual reports, notwithstanding the relatively favourable business environment in previous years, the Group had been conservative when implementing business strategies and had never underestimated the risks associated with excessive capacities and regulatory changes. Therefore, apart from implementing appropriate capacity expansion strategies, the Group had also undertaken quality services oriented and technical re-engineering programs to further strengthen our product quality standard and technical capability so as to stay competitive in the industry. The Group believes this combined strategy is essential for the corporate development of an enterprise in this challenging environment.

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

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

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

b. Business expansion programs aiming at other car manufacturers in China to develop a healthy diversification of businesses of our (1) engines and parts and (2) automotive components 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 Qingdao and Liuzhou, as well as other minor scale projects in other geographical regions to enhance productivity and to increase capacity to cope with the increasing demands coming from our core and new customers;

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

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

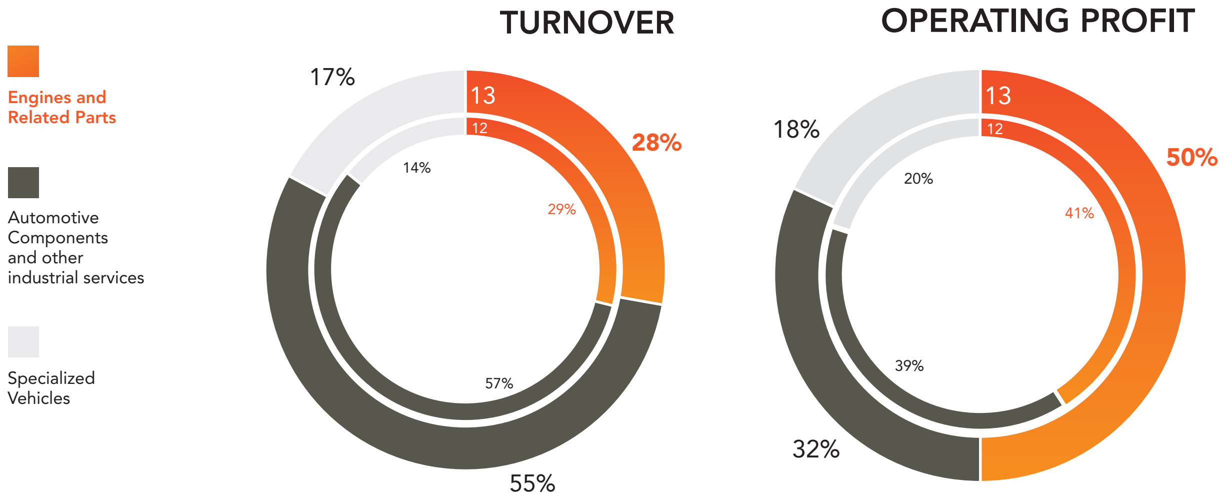
Outlook

The Group envisages business environment in China to be highly competitive and challenging in the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run. Despite the challenges and difficulties faced under the current market environment, the Group expects the China economy will continue to expand. Rising affluence 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 Liuzhou Wuling, our 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
25 March 2014

Main Business Segment –
ENGINES AND RELATED PARTS



Turnover (based on external sales) of the engines and parts division for the year ended 31 December 2013 was RMB3,366,625,000, representing a slight decrease of 1.8% as compared to last year. Operating profits for the year was RMB125,363,000, registered an increase of 11.2% as compared to last year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year 2013 was approximately 610,000 units, representing a decrease of 6.2% as compared to last year. Revenue generated from sales of products other than engine sets increased to approximately RMB116,186,000, representing approximately 3.5% of the total revenue of this division.

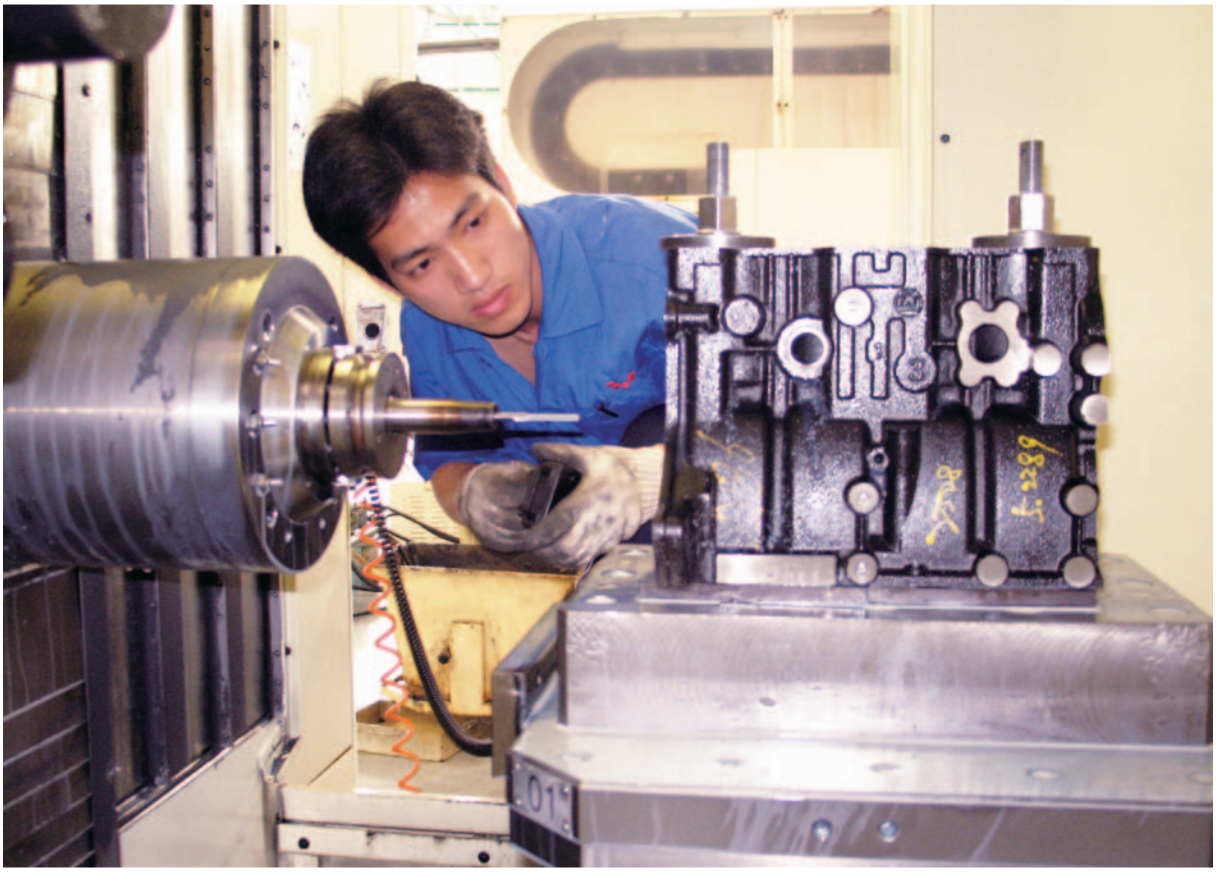
During this year, sales to SGMW, our core customer, slightly reduced by 11.9% to approximately RMB2,033,633,000, but continued to account for the majority portion of the division's revenue. As reported earlier, gradual increases in the application of self-produced engines by SGMW in its operations resulted in a reduction in sales to SGMW. However, contribution from other customers' sales and additional revenue generated from the sales of the new products other than the engine sets had to certain extent compensated the reduction, such that total sales of this division was able to maintain at a similar level as compared to last year.

For further expansion and diversification of the Group's engines and parts businesses, Wuling Liuji has been actively pursuing projects for other automobile manufacturers over the years. Sales, primarily engine sets, to other customers increased by 2.3% to approximately RMB1,148,000,000 for the year 2013, representing approximately 34.1% of the total revenue of this division.

To expedite the expansion and diversification programme, subsequent to the acquisition of a majority stake in a company located in Jilin in 2012 for launching the businesses to the commercial mini-vehicles division of FAW Jilin, during the year, the Group is in the process to acquire a minority stake in a customer, through a technology transfer arrangement and established a joint venture company with an independent third party for the development of new models of engines. The Group expects the collaborations with these customers and business associates would further strengthen the relationship with them for promoting future business opportunities to the engines and parts division.

Meanwhile, sales of agricultural machinery products remained stable during the year.

Operating margin improved to 3.7% as compared to 3.3% for last year. During this year, operating margin performance continued to be adversely affected by the loss-making operation of the foundry facilities. However, since the commencement of the scale operations in 2013, the situation had been gradually improved and the Group is confident with the positive effects from the foundry will be gradually crystallized in the near future where the profitability of the division will benefit.



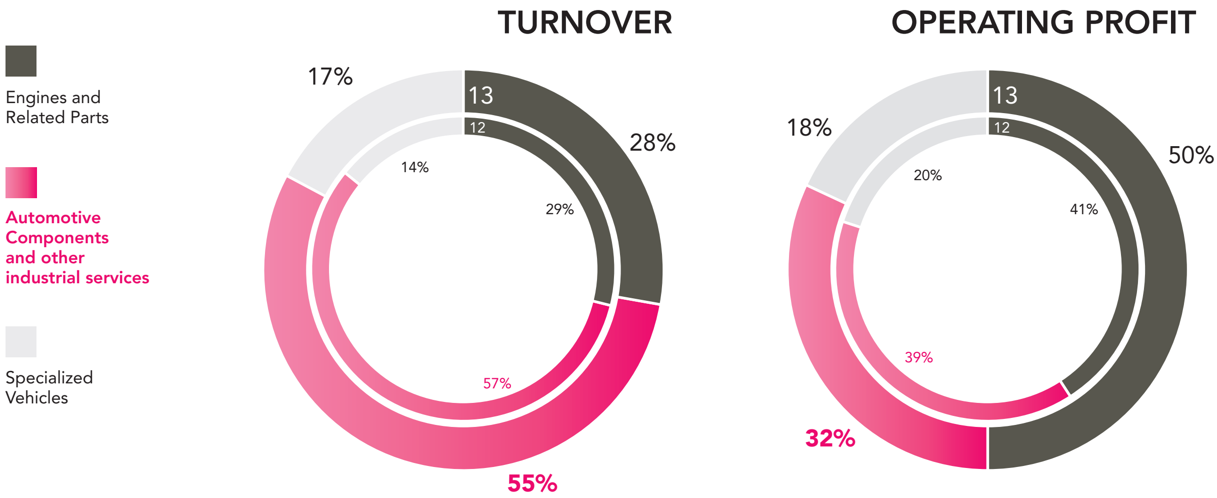
The production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, whereas the capacity of the foundry facilities of cylinder block and cylinder head are 600,000 units. Wuling Liuji will continue to monitor the growth of customers' businesses volume in order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

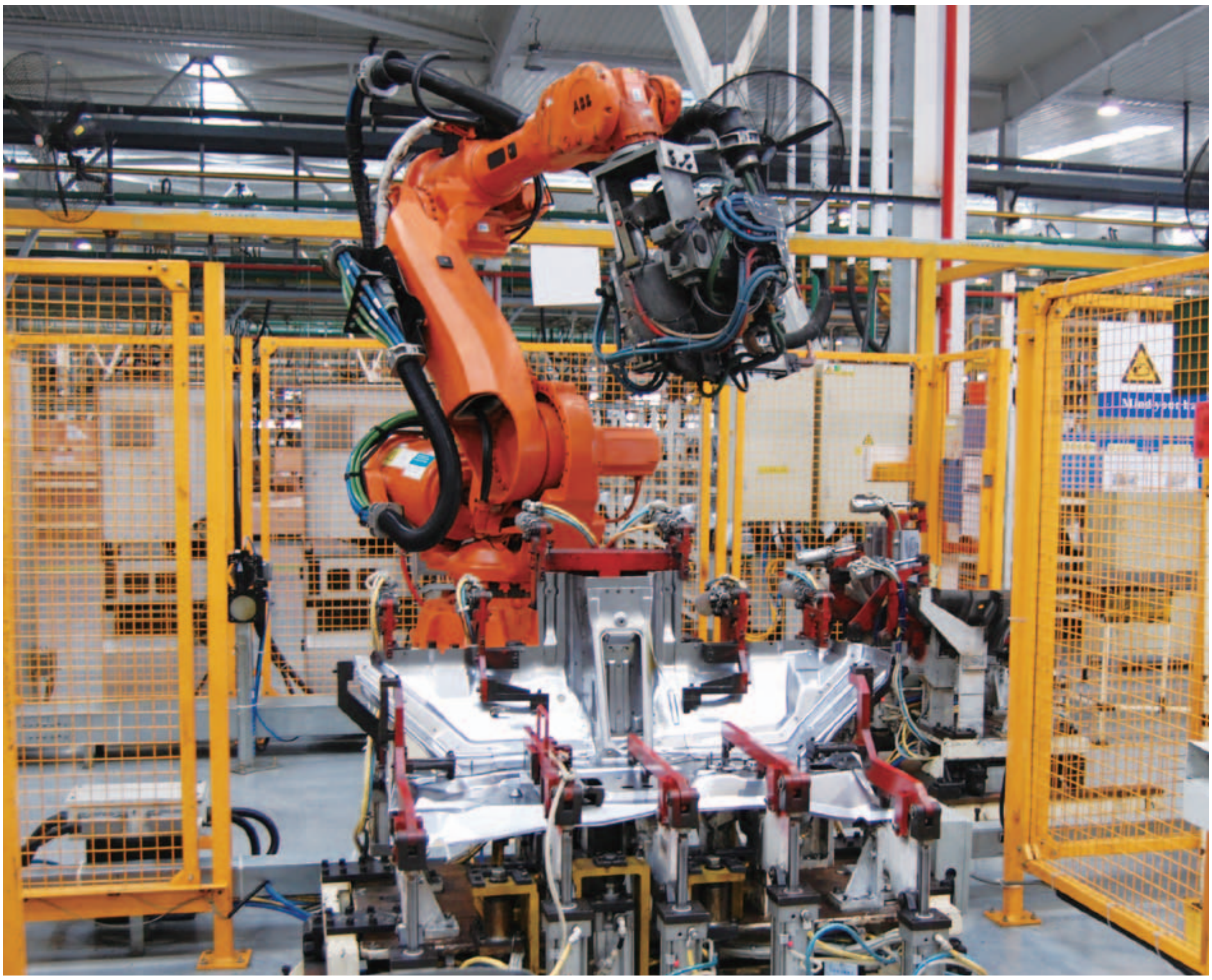
The engines produced by Wuling Liuji are mainly for the economical-typed mini-vehicles. Its products are state-designated products exempt from quality surveillance inspection. The "LJ" model has also been recognized as a reputable trademark in the Guangxi Province. Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, so as to maintain its competitiveness in this market segment. The Group believes the successful launch of new 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 other joint venture projects will be beneficial to the performance of the division as well as to place the Group in a better position in facing with the current keen competitive market situation.

Main Business Segment –

AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES





Turnover (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2013 was RMB6,657,943,000, representing a slight decrease of 1.1% as compared to last year. Resulting from the increasing staff costs and depreciation expenses incurred for the relocation exercises of the facilities, operating profits of this division registered a decrease and amount to RMB74,353,000 for the year.

Following the integration exercise of the operation of Liuzhou Wuling Motors United Development Limited ("Wuling United"), into the principal joint venture, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), completed in this year, the operating segments of automotive components and accessories division and the trading and supply services division were combined together to become one segment namely, automotive components and other industrial services division so as to, appropriately and effectively reflect the decision making processes involved in the resource allocation among different operating segments as well as the assessment of their respective performance. The comparative figures for the year ended 31 December 2012 as shown in this section were the aggregate numbers of the automotive components and accessories division and the trading and supply services division.

The automotive components and other industrial services division continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. Total sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, amounted to approximately RMB5,419,246,000 and accounted for nearly 80% of the total turnover for this business division. Strong demands for and the increasing market share achieved by the key products of SGMW benefited the business performance of this division for this year. Besides, the satisfactory market performance of the passenger vehicles model — Baojun 630 of SGMW also contributed to the business performance and would provide another promising business potential to this division.

Meanwhile, sales to other customers comprising specific automotive components amounted to approximately RMB212,000,000, which maintained at a similar level as compared to last year.

During the year, operating margin continued to improve resulting from scale operations and the positive effects from the cost control and the integration exercises despite higher administrative costs incurred for various capacity expansion and upgrading projects.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group has been actively undertaken large scale capacity expansion and upgrading programmes which includes: (1) the expansion project for the Qingdao facilities with a target annual capacity of 600,000 units for key automotive components which has been fully completed in 2013; and (2) the new facilities in Hexi Industrial Park, Liuzhou, which has a site area of over 400,000 sqm., in which the first phase has started operational in late 2012. The Group considers these large scale expansion projects are critical to the continuous development of the Group considering the great business potential of the China automobile industry.

In addition, for better control of production quality and to expedite the business expansion programme in Qingdao, during the year, Wuling Industrial acquired a 51% stake in Qingdao Dianshi Motors Accessories Company Limited (青島點石汽車配件有限公司), a supplier of Wuling Industrial which engages in the manufacturing of automotive accessories. Meanwhile, Wuling Industrial also established a joint venture with

Guangxi Liugong Machinery Stock Company Limited (廣西柳工機械股份有限公司) during the year, in pursuing and expanding the businesses in the engineering machinery components segment.

Besides actively upgrade its product standard and capability to cope with the needs of the customers, the Group has also implemented appropriate corporate restructure programmes so as to stay competitive in the industry. As mentioned above, during the year, the Group has completed the integration exercise of the operation of this division, which was previously undertaken by the subsidiary Wuling United into Wuling Industrial. This exercise, which will eventually lead to the dissolution of Wuling United, will be beneficial to the division and the Group in term of cost saving and efficiency enhancement.

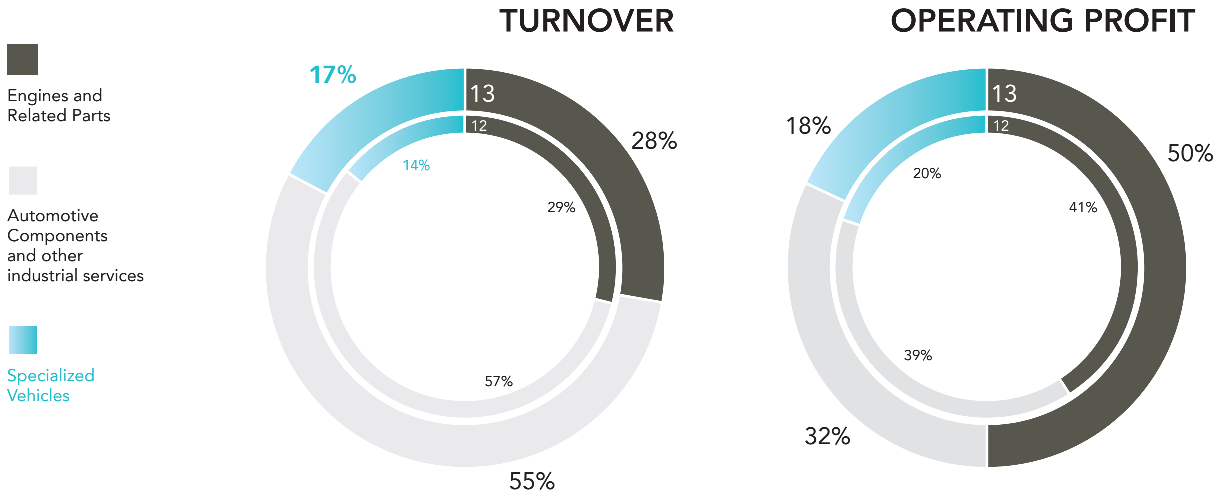
The automotive components and accessories division of the Group currently operates the largest manufacturing base of automotive components in the south-western part of China and is highly recognized for its comprehensive strength of competitiveness. Its specialized facilities cover the products range of the brake, the chassis assembly, automotive accessories, plastic components, welding parts and the seat sets. Main facilities are located in Liuzhou and Qingdao which ensure closer proximity to the customer's needs in both the northern and southern part of China. Maximum capacity for key components, for both Liuzhou and Qingdao, at present can reach 1,800,000 units/sets a year.

With its long and established industry experiences, the automotive components and accessories 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 well and established commercial-type vehicles production capability, strategically, the automotive components division has gradually progressed to the higher value-added passenger vehicles segment to further the profitability performance 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)



Turnover (based on external sales) of the specialized vehicles division for the year ended 31 December 2013 was RMB2,012,641,000, representing an increase of 18.6% as compared to last year. Operating profits for the year was RMB40,712,000. The specialized vehicles division was able to maintain the momentum of growth since last year through the launch of new models serving the needs of the market. However, increasing costs of research and development and expenses incurred for the launches of new products limited the profitability performance of this division.

During this year, the Group sold approximately 47,000 specialized vehicles, representing an increase of 17.5% as compared to last year. Its main products comprised various types of mini-school buses, mini-buses, multi-purpose mini-vans, redecorated vans and mini-container wagons, etc. The specialized vehicles division also continued to actively promote new models to expand its product range and business volume. Amongst them, the most remarkable are the sight-seeing cars and mini-school buses, which have both successfully achieved respective prominent market share in their particular market segment at present.

Operating margin reduced to 2.0% 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, high level of research and development and warranty expenses 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 planned to reduce the production of the lower margin redecorated vans and mini-container wagons products so as to reserve more capacity to other more profitable models, such as the sight-seeing cars and mini school buses as abovementioned expects the business development costs incurred for these new models will benefit the profitability performance.

Meanwhile, the specialized vehicles division is also undertaking certain integration programmes similar to the automotive components and accessories division aiming at a better control over the production and marketing which helps to promote cost effectiveness and production efficiency. To facilitate this integration program, our principal subsidiary, Wuling Industrial, acquired an additional 2% equity interest in Liuzhou Wuling Specialized Vehicle Manufacturing Company Limited from Liuzhou Wuling in January 2013 at a consideration of RMB1,792,000 from which Liuzhou Wuling Specialized Vehicle Manufacturing Company Limited became a wholly-owned subsidiary of Wuling Industrial. Together with the undertaking of the essential research and development projects as well as the marketing programmes for new product, with specific focus on the new energy vehicles, the Group believes the division is better positioned in entering into the breakthrough stage for improving the profitability of the division.

The specialized vehicles division operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. The division has capability to produce more than a hundred different types of specially-designed vehicles which serves the particular needs of customers, such as sightseeing bus, golf cart, police car, mini fire engine, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck and electrical vehicles, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Products are mainly sold in the domestic market covering the 24 provinces and cities across the country, and other overseas markets.

The capability of the specialized vehicles division in the car assembly industry is originated from the long-standing industry experiences of Wuling. In fact, the models designed and developed by the Group are branded as "Wuling", which is itself a benchmark of quality products and services in the market. The Group is also a qualified enterprise which possesses the capability for manufacturing new energy electrical mini-truck in China. The division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Current products include electrical sight-seeing bus, electrical community car and electrical mini-truck, etc. The new energy vehicle is an important part of the corporate strategic plan.

Total capacity of the specialized vehicles division at present is about 60,000 vehicles a year, primarily located in Liuzhou. The Group has also operated a small production facility in Qingdao with a capacity of 10,000 vehicles to facilitate geographical diversification which enables quality services and cost effectiveness.

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment. With the benefits of an effective cost control programs in production and management, the Group will take this chance to continuously consolidate its existing business and at the same time explore opportunities both locally and overseas so as to fostering a breakthrough business performance to this division.

FINANCIAL REVIEW

Statement of Profit or Loss and Other Comprehensive Income

Group's turnover for the year ended 31 December 2013 was RMB12,037,324,000, representing a slight increase of 1.5% as compared to last year, which was mainly attributable to the continuous growth of business volume for our key customer and was in line with the continuous growth of the automobile industry in China during the year.

Gross profit for the year was RMB1,259,449,000, representing an increase of 2.0% as compared to last year. Increases in revenue and the gradual improvement in the scale operations of the automotive components and specialized vehicles divisions benefited the margin performance, in spite of the adverse effects from an increase in the operating cost incurred for various capacity expansion and upgrading projects and the continuous operating losses incurred by the foundry facilities of the engines and parts division during the year.

Gross margin of the Group maintained at 10.5% during the year as compared to 10.4% recorded in last year. Notwithstanding, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Benefited from the reversal of a withholding tax as explained below and a reduction in the finance cost, net profit of the Group for the year was RMB106,034,000, representing an increase of 7.6% as compared to last year. However, increases in the general and administrative expenses, primarily attributable to the increases in staff and administrative costs incurred for the operation of the new facilities during the year impeded a more remarkable performance in profitability. Profits attributable to the owners of the Company was RMB50,528,000, representing an increase of 25.6%. The increase was primarily attributable to the reversal and refund of a withholding tax of approximately RMB15,000,000 which was previously provided by the Company. The reversal was made pursuant to a notice issued by the relevant tax authority in July 2013 which confirmed that the profits generated from our principal subsidiary, Wuling Industrial entitled by the Group was allowed to be taxed according to a lower withholding tax rate with effect from October 2009.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB44,681,000 for the year ended 31 December 2013, representing a decrease of 29.9% as compared to last year primarily as a result of a substantial decrease in the sales of scrap materials collected from SGMW during the year.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB320,136,000 for the year ended 31 December 2013, representing a decrease of 9.4% as compared to last year. The decrease was primarily due to a reduction in transportation costs for the year.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB763,218,000 for the year ended 31 December 2013, representing an increase of 5.7% as compared to last year. The increase was mainly attributable to the increases in staff and administrative costs incurred for the operation of the new facilities during the year.

Research and development expenses for the year ended 31 December 2013 amounted to RMB112,598,000 which maintained at a similar level as compared to last year. 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 2013 amounted to RMB88,287,000, representing a decrease of 1.7% as compared to last year. The balances had included the finance cost of RMB8,909,000 incurred for the convertible loan notes issued by the Company and the other interest expenses payable to Wuling Motors (Hong Kong) Holdings Limited, ("Wuling HK") and Liuzhou Wuling amounting to RMB26,983,000 in total. To reduce bank borrowings and to contain finance costs of the Group, Wuling HK and Liuzhou Wuling had provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market during the year. These financing arrangements resulted in lower interest rates and reduced bank loan balances of the Group had helped to ease the finance costs during the year.

Basic earnings per share for the year ended 31 December 2013 was RMB4.31 cents, representing an increase of 25.3% as compared to last year, whereas, earnings per share on fully diluted basis was RMB3.74 cents, representing an increase of 31.7%, in which the effect arising from the fair value adjustment on the convertible loan notes issued by the Company was excluded in the calculation.

Financial Position

As at 31 December 2013, total assets and total liabilities of the Group stood at RMB10,206,983,000 and RMB8,856,344,000 respectively.

Non-current assets amounted to RMB2,106,599,000 comprised mainly property, plant and equipment, prepaid lease payments, deposits paid for acquisition of non-current assets and goodwill on acquisition of subsidiaries, etc.

Current assets amounted to RMB8,100,384,000 comprised mainly inventories of RMB1,189,408,000, trade and other receivables and bill receivables discounted with recourse of RMB5,868,265,000, cash and cash equivalents (inclusive of pledged bank deposits) of RMB1,036,814,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,162,555,000 was recorded as trade and other receivables in the statement of financial position. These receivables balances were subject to normal commercial settlement terms. Total cash and bank balances amounted to RMB1,036,814,000, in which RMB723,349,000 were pledged bank deposits to secure the banking facilities offered to the Group. Overall, the Group had cash (inclusive of pledged bank deposits) net of bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) amounting to RMB215,964,000 as at 31 December 2013.

Current liabilities amounted to RMB8,372,378,000, comprised mainly trade and other payables and advances drawn on bill receivables discounted with recourse of RMB7,031,265,000, amount due to shareholders of RMB249,283,000, provision for warranty of RMB158,698,000, tax payable of RMB29,054,000, bank borrowings — due within one year (inclusive of advances drawn on bills receivable discounted with recourse) of RMB820,850,000 and the liability component of the convertible loan notes due to Wuling HK, our controlling shareholder, of RMB83,228,000. Amount due to shareholders recorded under current liabilities refers to the account payable to Liuzhou Wuling, the ultimate controlling shareholder of the Company and the joint venture partner of Wuling Industrial, and an advance of RMB79,985,000 from Wuling HK.

The Group recorded net current liabilities of RMB271,994,000 as at 31 December 2013 as compared to the net current assets of RMB126,859,000 as at 31 December 2012, resulting primarily from the reclassification of the aforementioned existing convertible loan notes and the advance from Wuling HK which were fully repaid by the issue of the new convertible loan notes by the Company on 28 January 2014 as described below.

Non-current liabilities amounted to RMB483,966,000 comprised mainly amounts due to Liuzhou Wuling of RMB446,384,000 and deferred tax liability of RMB16,376,000.

Subsequent to the year end, on 28 January 2014, the Company issued new convertible notes with an aggregate principal amount of HK$200,000,000 equivalent to approximately RMB157,580,000 to Wuling HK for the repayment of the aforementioned existing convertible loan notes and the advance from Wuling HK which were both repayable in 2014. The new convertible notes are denominated in HKD and have a nominal interest rate of 4.25% per annum. The conversion price of the new convertible notes is HK$0.58 per ordinary share and the maturity date is due on 28 January 2017. The new convertible notes entitle the holder to convert, in whole or in part, the principal amount into ordinary shares of the Company on any business days commencing from 28 January 2014 upto the fifth business days prior to the maturity date.

LIQUIDITY AND CAPITAL STRUCTURE

The Group was operating under a net cash inflow position for the year ended 31 December 2013, in which net cash from operating activities amounted to RMB469,656,000.

As at 31 December 2013, the Group maintained cash and bank balances of RMB1,036,814,000, in which RMB723,349,000 were pledged bank deposits to secure the banking facilities offered to the Group.

Group's bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) decreased from RMB954,382,000 as at 31 December 2012 to RMB820,850,000 as at 31 December 2013.

Overall, the Group had cash (including pledged bank deposits) net of bank borrowings amounting to RMB215,964,000 as at 31 December 2013.

To reduce bank borrowings and to contain finance costs of the Group, Wuling HK and Liuzhou Wuling had provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market during the year. These financing arrangements resulted in lower interest rates and reduced bank loan balances of the Group had helped to ease the finance costs during the year.

Besides, the Company also maintained a five-year convertible loan notes with principal amount of HK$100,000,000 and maturity date on 12 January 2014 owed to Wuling HK, the controlling shareholder of the Company.

As 31 December 2013, the Group had a gearing ratio of 60.8% calculated based on the Group's total bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) and the Group's net assets.

Issued capital increased from RMB4,524,000 as at 31 December 2012 to RMB4,529,000 as at 31 December 2013. The increase was due to the exercise of share options held by certain employees during the year.

Subsequent to the year end, on 28 January 2014, the Company issued new convertible notes with an aggregate principal amount of HK$200,000,000 equivalent to approximately RMB157,580,000 to Wuling HK for the repayment of the existing convertible loan notes and advance from Wuling HK which were both repayable in 2014. The issue of the new convertible notes enabled the Company to raise mid-term source of finance at a reasonable cost and enhanced the liquidity position of the Group.

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

Total shareholders' equity comprised primarily the PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB585,859,000 as at 31 December 2013. Net asset value per share was approximately RMB50.0 cents as at 31 December 2013.

DIVIDEND

The Board recommend the payment of a final dividend of 0.5 HK cent per ordinary share in respect of the year ended 31 December 2013 (the "Final Dividend") to shareholders whose names appear on the register of members of the Company on Tuesday, 10 June 2014. (2012: 0.5 HK cent). Subject to the approval by the shareholders of the Final Dividend at the forthcoming annual general meeting of the Company to be held on Friday, 30 May 2014 (the "2014 AGM"), dividend warrants will be dispatched to shareholders on or about 23 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 27 May 2014 to Friday, 30 May 2014, both dates inclusive, during which no transfer of shares will be effected. In order to qualify for attendance of the 2014 AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 26 May 2014. The time and venue of the 2014 AGM will be advised in due course.

The register of members of the Company will be closed from Friday, 6 June 2014 to Tuesday, 10 June 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 5 June 2014.

PLEDGE OF ASSETS

At 31 December 2013, a property held by the Group in Hong Kong with an aggregate value of RMB3,703,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB723,349,000 and bills receivables discounted with recourse amounting to RMB535,595,000 were pledged to the banks mainly to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

At 31 December 2013, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB43,731,000, Hong Kong dollar shareholder loan of an aggregate amount of RMB79,985,000, Hong Kong dollar bank deposits of an aggregate amount of RMB649,000, foreign currency and Hong Kong dollar trade and other receivables of RMB12,193,000, foreign currency and Hong Kong dollar trade and other payables of RMB20,460,000 and Hong Kong dollar convertible loan notes with principal value amounting to RMB83,228,000. 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 2013, 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 RMB341,426,000.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group does not have any contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2013, the Group had approximately 12,400 employees, including 7,200 staff members and 5,200 workers. Total staff costs for the year ended 31 December 2013 were approximately RMB788,518,000. The remuneration policy was reviewed in line with the current applicable legislation, market conditions as well as the performance of the Company and the individual.

Besides, the Remuneration Committee of the Company, comprising the three independent non-executive directors, namely Mr. Zuo Duofu (the Chairman), Mr. Yu Xiumin and Mr. Ye Xiang, established under the Board, will also make recommendations on and give approval to the remuneration policy, structure and remuneration packages of the executive directors and the senior management. The terms of reference of the Remuneration Committee of the Company are disclosed on the website of the Company.

The Group regards human resources as an essential element for the growth of a corporation and therefore pays serious attention to its human resources management. The Group maintains a set of established and comprehensive management policy aiming at promoting common corporate goals among employees. The policy which covers the remuneration structure, training and staff development encourages healthy competitive environment which will bring mutual benefits to both the Group and the employee.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

1. Mr. SUN Shaoli
2. Mr. LEE Shing
3. Mr. WEI Hongwen
4. Mr. ZHONG Xianhua
5. Ms. LIU Yaling
6. Mr. ZHOU Sheji
7. Mr. ZUO Duofu
8. Mr. YU Xiumin
9. Mr. YE Xiang

EXECUTIVE DIRECTORS

Mr. SUN Shaoli
Chairman

Mr. Sun, aged 58, chairman of the board of directors, was appointed as an executive director on 10 September 2007 and is currently a member of the Nomination Committee. Mr. Sun obtained a master degree in business administration from Harbin Industrial University in 1988 and is a senior economist. Mr. Sun has more than 30 years' of experience in the automobile manufacturing industry. Mr. Sun is currently the chairman of the board of directors of Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), a director of Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") and Wuling (Hong Kong) Holdings Limited ("Wuling HK"), which are directly and indirectly wholly-owned subsidiaries of Liuzhou Wuling. Wuling HK is currently a substantial shareholder of the Company which is beneficially interested in approximately 37.0% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report. Mr. Sun is also currently the chairman of the board of directors of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") and Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji", a subsidiary of Wuling Industrial). Wuling Industrial is a principal subsidiary of the Company and is established in accordance with the sino-foreign equity joint venture agreements entered into by the Company and Liuzhou Wuling.

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

Mr. WEI Hongwen
Executive Director

Mr. Lee, aged 56, vice-chairman of the board of directors and the chief executive officer, was appointed as an 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 is also the vice-chairman of Wuling Industrial, as well as a director of Wuling Liuji, a subsidiary of Wuling Industrial. Besides, he is currently a member of the Committee of the Chinese People's Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is the sole shareholder and sole director of Dragon Hill Development Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 24.02% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report. Besides, Mr. Lee is an executive director of Grand TG Gold Holdings Limited (Stock Code: 8299), a company listed on the GEM board of The Stock Exchange of Hong Kong Limited and an executive director of Recyctec Holding AB, a company listed on Aktie Torget, Sweden.

Mr. Wei, aged 51, was appointed as an executive director on 10 September 2007. Mr. Wei obtained a master degree in economics from Sun Yat-Sen University in 1995 and is a professor level senior engineer. Mr. Wei has more than 30 years' of experience in the automobile manufacturing industry. He is currently a director and the general manager of Wuling Industrial and a director of Wuling Liuji, a subsidiary of Wuling Industrial. Mr. Wei is in charge of the daily operations of our specialized vehicles, automotive engines and components manufacturing business. Mr. Wei is also a director and the chief executive of Liuzhou Wuling, and a director of Wuling Motors and Wuling HK, being substantial shareholder of the Company, which are beneficially interested in approximately 37.0% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report. Mr. Wei is also the vice chairman of SAIC-GM-Wuling Automobile Co., Ltd. ("SGMW"), which is a joint venture formed among Shanghai Automobile Industry (Group) Company, General Motors China and Liuzhou Wuling.

Mr. ZHONG Xianhua
Executive Director

Ms. LIU Yaling
Executive Director

Mr. ZHOU Sheji
Executive Director

Mr. Zhong, aged 55, was appointed as an executive director on 4 January 2010. Mr. Zhong is currently a director of Wuling Industrial and the vice president of Liuzhou Wuling, a substantial shareholder of the Company. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer and has over 26 years' of extensive experience in the production, marketing and corporate management of the automotive components industry.

Ms. Liu, aged 38, was appointed as an executive director on 22 June 2006. 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 15 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. Zhou, aged 56, was appointed as an executive director on 10 October 2008. Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 25 years' of experience in the management of a number of business sectors in China such as construction, international trade and information technology sectors. He is currently a vice general manager of Wuling Industrial, our principal subsidiary. Mr. Zhou is the sole shareholder and sole director of Gao Bao Development Limited, which is beneficially interested in approximately 3.82% of the total issued share capital of the Company, details of which are disclosed in the report of the directors of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Xiumin
Independent Non-executive Director

Mr. ZUO Duofu
Independent Non-executive Director

Mr. YE Xiang
Independent Non-executive Director

Mr. Yu, aged 53, was appointed as an independent non-executive director on 22 June 2006. Mr. Yu holds a doctorate degree in engineering and has extensive experience in the research and teaching aspects of the automobile engineering. Mr. Yu is currently the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Zuo, aged 70 was appointed as an independent non-executive director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has about 30 years of experience in the media industry in the PRC. He is currently a representative of Congress of Writers' Representatives in the PRC and a member of president group of Guangdong Writer Association. Mr. Zuo is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. Ye, aged 50, was appointed as an 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 18 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.

SENIOR MANAGEMENT

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 49, currently chief financial officer and company secretary of the Company, is responsible for overseeing our finance, accounting and company secretarial functions. He is also a director of Wuling Industrial. Mr. Lai has more than 26 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 Member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a Fellow Member of the Association of Chartered Certified Accountants.

Mr. YUAN Zhijun

Mr. Yuan, aged 47, is currently a director of Wuling Industrial, principal subsidiary of the Company. He is also the vice general manager of SGMW. Mr. Yuan graduated from the Huazhong University of Science and Technology with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan has over 27 years' of extensive experience in the production, product design and development, human resources and corporate management of the automotive components industry.

Mr. YANG Jianyong

Mr. Yang, aged 45, is currently the vice general manager of Wuling Industrial, our principal subsidiary. He is also a director of Wuling Liuji, and is the vice general manager of Liuzhou Wuling, a substantial shareholder of the Company. Mr. Yang graduated from the Faculty of Accounting in the Central South University and holds a master degree in Accountancy from The Chinese University of Hong Kong. His profession is accountant. Mr. Yang has been working in the accounting profession for about 24 years, and has extensive experience in cost management and the corporate financial system institutionalization aspects. Prior to his joining the Wuling Industrial, Mr. Yang was the senior finance executive controller of SGMW.

Mr. WEN Daizhi

Mr. Wen, aged 50, is currently the chief engineer of Wuling Industrial and a director of Wuling Liuji, both of them being principal subsidiaries 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 28 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. LUO Jianguo

Mr. Luo, aged 48, is currently the assistant chief engineer and the supervisor of the technical centre of Wuling Industrial, a principal subsidiary of the company. Mr. Luo holds a master degree in business administration from Guangxi university. His profession is senior engineer. Mr. Luo has over 26 years' of extensive experience in the technical and corporate management of the automotive engines industry.

Mr. QIN Qibin

Mr. Qin, aged 51, is currently the assistant chief engineer and the quality control officer of Wuling Industrial, a principal subsidiary of the Company. 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 Liuzhou Wuling in 1985. He has over 29 years' of extensive experience in the product development and the quality management of the automotive components industry.

Mr. CHEN Xiaofeng

Mr. Chen, aged 39, is currently the vice general manager and also the general manager of the sales office of Wuling Industrial. a principal subsidiary of the Company. Mr. Chen 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 Liuzhou Wuling in 1997. He has over 16 years' of extensive experience in the production operation, purchasing and supply chain management of the car assembly and automotive components industry.

Mr. LI Weimin

Mr. Li, aged 51, is currently the vice general manager and also the senior controller of the production department of Wuling Industrial, a principal subsidiary of the Company. Mr. Li graduated from Nanchang Hangkong University majoring in forging processes and equipment. His profession is senior engineer. Mr. Li has over 28 years' of extensive experience in the production management and quality control of the automotive components industry.

Mr. LI Huanyu

Mr. Li aged 51, is currently the vice general manager of Wuling Industrial and the general manger of Wuling Liuji, both of them being principal subsidiaries of the Company. Mr. Li graduated from Wuhan College of Engineering majoring in agricultural machinery and is also a post-graduate student of the Department of Mechanical Manufacturing and Automotion of Guangxi University. His profession is senior engineer. Mr. Li has over 28 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

The board of directors of the Company ("Board") is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2013.

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 applied the Principles and the Code Provisions as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

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

THE BOARD

Responsibilities

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

The overall management of the Company's business is 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 "Directors") should take decisions objectively in the interests of the Company and the shareholders of the Company (the "Shareholders") as 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 and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational decisions.

The Company has arranged appropriate liability insurance coverage in respect of legal action for the Directors, which is reviewed by the Board on a regular basis.

All Directors have full and timely access to all relevant information, with a view to ensure that Board procedures and all applicable rules and regulations 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 delegated to the senior management and the delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

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

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment.

The Board currently comprises following nine Directors, namely:

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

Independent Non-Executive Directors
Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

The biographical details of these Directors are set out in the section headed "Directors' & Senior Management's Biographies" in this annual report and are available on the Company's website.

Messrs. Sun Shaoli, Wei Hongwen and Zhong Xianhua who were appointed on 10 September 2007, 10 September 2007 and 4 January 2010 respectively, were nominated by Liuzhou Wuling Motors Company Limited, a Substantial Shareholder.

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

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

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with Rule 3.13 of the Listing Rules. The Company and the Nomination Committee of the Company consider all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company. One of the independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise.

Appointment, Re-election and Resignation of Directors

The Company has established formal, considered and transparent procedures and criteria for the appointment and re-election of Directors.

Pursuant to the Company's bye-laws and the Code Provisions of the Listing Rules, each Director shall retire from office no later than the third annual general meeting of the Company after he/she was last elected or reelected (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 is subject to re-election at the next general meeting of the Company following his/her appointment.

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

During the year, Messrs. Zhong Xianhuan, Zhou Sheiji and Yu Xiumin retired and were re-elected as director respectively in accordance with the Company's Bye-laws by respective resolutions passed by the Shareholders in the general meeting of the Company on 28 May 2013.

The Company has entered into service contracts with all the independent non-executive Directors, namely Messrs. Yu Xiumin, Zuo Duofu and Ye Xiang for a specific term of three years who are also required to retire by rotation in accordance with the Company's Bye-laws and the Appendix 14 of the Listing Rules.

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

In accordance with the Company's Bye-laws and the Appendix 14 of the Listing Rules, Mr. Sun Shaoli, an executive Director, Messrs. Zuo Duofu and Ye Xiang, being independent non-executive Directors, will retire by rotation and being eligible offer themselves for re-election at the forthcoming 2014 annual general meeting of the Company. The Board and the Nomination Committee recommended the re-appointment of all retiring directors standing for re-election at the forthcoming 2014 annual general meeting of the Company.

Detailed information of all retiring Directors standing for re-election will be fully described in the Company's circular to be dispatched to the Shareholders with this annual report.

Training for Directors

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

The Company keeps circulating information and materials to develop and refresh Directors' knowledge and skills. Besides, the Chief Financial Officer, Company Secretary and/or other executives also brief Directors from time to time the relevant information, which are related to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

BOARD MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximate quarterly interval for reviewing and approving financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities, during the year ended 31 December 2013, a total number of 4 regular Board meetings, 2 Audit Committee meetings, 2 Remuneration Committee and 1 Nomination Committee meeting were held by the Company.

During the year, the Board has regularly reviewed the contributions from the Directors and confirmed that they have spent sufficient time performing their responsibilities. The individual attendance records of each Director at the meetings of the Board, the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nomination Committee ("NC"), as well as the Shareholders' meeting(s) (annual general meeting "AGM", special general meeting "SGM")) of the Company during the year ended 31 December 2013 are set out below:

	Attendance/Number of Meetings of Shareholders, Board and Committee during the Directors' tenure of office					
Name of Directors	**AGM**	**SGM**	**BM**	**AC**	**RC**	**NC**
No. of Meeting(s)	1	2	4	2	2	1
Executive Directors						
Mr. Sun Shaoli *(Chairman)*	1/1	1/2	4/4	–	–	1/1
Mr. Lee Shing *(Vice-chairman)*	1/1	2/2	4/4	–	–	1/1
Mr. Wei Hongwen ("Wei")	0/1	0/2	4/4[(1)]	–	–	–
Mr. Zhong Xianhua	0/1	0/2	4/4	–	–	–
Ms. Liu Yaling	1/1	1/2	4/4	–	–	–
Mr. Zhou Sheji	0/1	0/2	4/4	–	–	–
Independent Non-Executive Directors						
Mr. Yu Xiumin	1/1	1/2	4/4	2/2	2/2	1/1
Mr. Zuo Duofu	1/1	2/2	4/4	2/2	2/2	1/1
Mr. Ye Xiang	1/1	1/2	4/4	2/2	2/2	1/1

Note (1): One meeting was attended by Mr. Wei's alternate.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors 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 committee meeting(s), reasonable notice is generally given.

Board and committees papers together with all appropriate, complete and reliable information are sent to all Directors and member's at least 3 days before each Board meeting or committee meeting to keep the Directors and members' apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information and that Board procedures, and all applicable rules and regulations, are being followed. The Board and each Director and member also have separate and independent access to the senior management whenever necessary.

The responsible senior management also attend Board meetings and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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

During the year and up to the date of this report, management provide all members of Board with monthly updated financial position of the Group and the progress of the various on-going projects to enable them to discharge their duties.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

During the financial year ended 31 December 2013, the Chairman has held one meeting with the independent non-executive Directors without the other executive Directors present. The Chairman has encouraged Directors with different views to voice their concerns, allowed sufficient time for discussion of issues and ensured that Board decisions fairly reflect Board consensus.

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 Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are disclosed in the corporate website of the Company and are available to the Shareholders upon request.

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

The Board committees are 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. Yu Xiumin and Mr. Ye Xiang. The biographical details of these Directors are set out in the section headed "Directors' & Senior Management's Biographies" in this annual report.

The Remuneration Committee normally meets at least once a year. The primary objectives of the Remuneration Committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of all Directors and the senior management of the Company. The Remuneration Committee is also responsible for establishing a formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates be participated in deciding his/her own remuneration, which remuneration be determined by reference to the Board's corporate goals and objectives. 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 shall consult the chairman of the Company about these recommendations on remuneration policy and structure as well as the remuneration packages.

The Remuneration Committee held 2 meeting(s) during the year ended 31 December 2013 for, inter alia, reviewing annually the policy for the remuneration of Directors and senior executive and procedures for fixing the remuneration package, assessing the performance of all Directors, making recommendation on the remuneration packages of all Directors and the senior management, approving the adjustment to the executive Directors' salary, the terms of Directors' service contracts entered with independent non-executive Directors and/or other related matters. The attendance records of the Remuneration Committee are set out under "Board Meetings" on page 36.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors including Mr. Ye Xiang (chairman of the Audit Committee), Mr. Yu Xiumin and Mr. Zuo Duofu, among them one independent non-executive Director possesses the appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is 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 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 before submission to the Board.

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

(c) To review the continued connected party transactions as disclosed in the annual report and confirm that those transactions entered into by the Group were (i) in the ordinary and usual course of business of the Group; (ii) on arm's length basis, on normal commercial terms and on terms that are fair and reasonable as far as the Shareholders are concerned; and (iii) in accordance with the terms of the agreements governing such transactions.

(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 meetings during the year ended 31 December 2013 to review, assess and comment on the financial results and reports, financial reporting and compliance procedures, the Company's internal control and risk management review and processes and the re-appointment of the external auditors in the annual general meeting. The attendance records of the Audit Committee are set out under "Board Meetings" on page 36.

Nomination Committee

The Nomination Committee currently comprises three independent non-executive Directors including Mr. Yu Xiumin (Chairman of the Nomination Committee), Mr. Zuo Duofu and Mr. Ye Xiang, as well as Mr. Sun Shaoli, Chairman of the Board and Mr. Lee Shing, Vice-chairman of the Board and the Chief Executive Officer.

The primary objectives of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, making recommendations on the any proposed changes to the Board, proposing the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors; reviewing the board diversity with reference to the Board Diversity Policy and commenting the re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive.

The Company adopted a board diversity policy in September 2013 which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

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

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

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

The Nomination Committee held one meeting during the year ended 31 December 2013 to, inter alia, review the policy for the nomination of Directors, monitor the composition and effectiveness of the Board, assess the independence of each independent non-executive Director, and identify those Directors to be retired by rotation and then be re-elected as Director in the forthcoming annual general meeting of the Company in accordance with the Company's Bye-laws and the diversity of the Board. The attendance records of the Nomination Committee are set out under "Board Meetings" on page 36.

CORPORATE GOVERNANCE

The Board is responsible for performing the corporate governance duties, which includes developing and reviewing the Company's policy and practices on corporate governance, assessing and monitoring the training and continuous professional development of Directors and senior management as well as the code of conduct and compliance manual. During the year ended 31 December 2013, the Board reviewed, monitored and assessed including but not limited to the policy and practices on corporate governance, training and continuous professional development to Directors and senior management, policies and practice on compliance with legal and regulatory requirement, the compliance with the Company's securities (own code) on term no less exacting than the Model Code (defined below) under the Listing Rule and disclosure requirements in this Corporate Government Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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 financial statements of the Company for the year ended 31 December 2013 by the auditor's report about their reporting responsibilities.

The Board received from the senior management the management accounts, explanation and relevant information which enable the Board to make an informed assessment for approving the financial statements.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 56 and 57.

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

For the year ended 31 December 2013, Deloitte Touche Tohmatsu, the external auditor received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

	2013 RMB'000
Annual audit services	1,596
Interim review services	525
Other services	327

INTERNAL CONTROLS

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

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

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

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

SHAREHOLDERS' RIGHTS

Shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a 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. The Board welcome Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

During the year either Mr. Sun Shaoli, the chairman or Mr. Lee Shing, the vice-chairman and the chief executive officer, or both attended the Shareholders' meetings held by the Company. Mr. Sun Shaoli and Mr. Lee Shing will use their endeavours to attend all future Shareholders' meetings.

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

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

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

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

The Company continues to enhance communications and relationships with its investors. Designated senior management of the Company 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.

The Directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58.

The Directors recommended the payment of a final dividend of 0.5 HK cent per ordinary share of the Company (the "Share(s)") for the year ended 31 December 2013 (2012: 0.5 HK cent) to the shareholders of the Company (the "Shareholder(s)") on the register of members on Tuesday, 10 June 2014, amounting to approximately RMB4,677,000, subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company.

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 is set out below. This summary does not form part of the audited consolidated financial statements:

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	**12,037,324**	11,856,125	10,908,602	11,063,390	9,888,856
Profit before tax	**130,439**	143,683	167,921	237,663	139,712
Income tax expense	**(24,405)**	(45,106)	(31,466)	(55,120)	(31,093)
Profit for the year	**106,034**	98,577	136,455	182,543	108,619
Profit/(Loss) for the year attributable to:					
Owner of the Company	**50,528**	40,214	69,813	77,648	(21,928)
Non-controlling interests	**55,506**	58,363	66,642	104,895	130,547
	106,034	98,577	136,455	182,543	108,619
Total assets	**10,206,983**	10,704,000	9,697,379	10,073,205	8,574,218
Total liabilities	**(8,856,344)**	(9,438,758)	(8,492,330)	(9,172,669)	(7,874,056)
Net assets	**1,350,639**	1,265,242	1,205,049	900,536	700,162
Net assets attributable to:					
Owner of the Company	**585,859**	538,197	486,489	301,574	126,087
Non-controlling interests	**764,780**	727,045	718,560	598,962	574,075
	1,350,639	1,265,242	1,205,049	900,536	700,162

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group revalued its investment properties at the year end date. The net increase in fair value of the investment properties, which has been credited directly to consolidated statement of profit or loss and other comprehensive income, amounted to RMB343,000 (2012: RMB1,534,000).

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 14 and 17 to the financial statements, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 34 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 61 and 62.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December, 2013, the Company's reserves available for distribution to the Shareholders were RMB246,816,000, which comprises contributed surplus of RMB94,381,000 and retained profits of RMB152,435,000 of the Company.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to 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.

BORROWINGS

Details of the bank borrowings of the Group are set out in note 31 to the financial statements.

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 62.1% and 72.0% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for respectively 17.9% and 29.2% 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, Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), a substantial Shareholder, holds a 5.8% interests, is the Group's largest customer and largest supplier.

Other than as disclosed above, none of the Directors, their respective 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 suppliers of the Group for the year.

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

The biographical details of the Directors are set out on pages 26 to 30 of this report.

Each Director, including those appointed for a specific term, should be subject to retirement by rotation and re-election at least once every three years in accordance with the code provision contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

In accordance with Bye-law 99(B) of the Company, Messrs. Sun Shaoli, Zuo Duofu and Ye Xiang, shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of its independent non-executive Directors, the respective annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers these Directors independent.

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 note 10 and 11 to the financial statements of this 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 by rotation at the annual general meeting of the Company in accordance with the Company's Bye-laws.

No Directors being proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or its subsidiaries which is not determinable by the Group 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 AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2013, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), contained in the Listing Rules were as follows:

Long Positions

Name of director	Capacity		Number of ordinary Shares	Approximate % of the issued Share capital*
Mr. Lee Shing (" Mr. Lee")	Interest in controlled corporation (Note 1)		281,622,914	24.02%
	Beneficial owner (Note 2)		3,000,000	0.26%
	Interest held by spouse (Note 3)		1,600,000	0.14%
		Total	286,222,914	24.42%
Mr. Zhou Sheji ("Mr. Zhou")	Interest in controlled corporation (Note 4)		44,770,000	3.82%
	Beneficial owner (Note 2)		2,000,000	0.17%
		Total	46,770,000	3.99%
Mr. Wei Hongwen ("Mr. Wei")	Beneficial owner		200,000	0.02%
	Beneficial owner (Note 2)		3,000,000	0.26%
		Total	3,200,000	0.28%

Notes:

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

(2) This represents the outstanding share options held by the respective Directors issued under the Share Option Scheme (as defined below), which details are described in the section of "Directors Rights to Acquire Shares and Debentures" below.

(3) This represents the outstanding share options held by the spouse of Mr. Lee issued under the Share Option Scheme (as defined below), which details are described in the section of "Directors Rights to Acquire Shares and Debentures" below.

(4) This represents the Shares held by Gao Bao Development Limited, a company wholly-owned by Mr. Zhou.

* The percentage has been adjusted based on the total number of Shares in issue as at 31 December 2013 (i.e. 1,172,165,390).

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 2013 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 2013, the number of outstanding share options granted and offered by the Company under the share option scheme adopted on 11 June 2002 (the "Old Share Option Scheme"), which was terminated by the Company on 28 May 2012, and a new share option scheme, which was adopted by the Company on 28 May 2012 (the "Share Option Scheme"), for the directors of the Company to subscribe for 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	Date of grant	Notes	As at 1 January 2013	During the year Granted (Exercised)	Lapsed/ Cancelled*	As at 31 December 2013	Exercise Period
Directors							
Mr. Sun Shaoli	29/12/2009	(1)	906,818	–	(906,818)	–	I
	15/6/2012	(2)	3,000,000	–	–	3,000,000	II
			3,906,818	–	(906,818)	3,000,000	
Mr. Lee	29/12/2009	(1)	906,818	–	(906,818)	–	I
	15/6/2012	(2)	3,000,000	–	–	3,000,000	II
			3,906,818	–	(906,818)	3,000,000	
	29/12/2009	(3)	352,651	–	(352,651)	–	I
	15/6/2012	(3)	1,600,000	–	–	1,600,000	II
			1,952,651	–	(352,651)	1,600,000	
Mr. Wei	29/12/2009	(1)	806,060	–	(806,060)	–	I
	15/6/2012	(2)	3,000,000	–	–	3,000,000	II
			3,806,060	–	(806,060)	3,000,000	
Mr. Zhong Xianhua	29/12/2009	(1)	705,303	–	(705,303)	–	I
	15/6/2012	(2)	2,000,000	–	–	2,000,000	II
			2,705,303	–	(705,303)	2,000,000	
Ms. Liu Yaling	29/12/2009	(1)	806,060	–	(806,060)	–	I
	15/6/2012	(2)	2,000,000	–	–	2,000,000	II
			2,806,060	–	(806,060)	2,000,000	
Mr. Zhou	29/12/2009	(1)	705,303	–	(705,303)	–	I
	15/6/2012	(2)	2,000,000	–	–	2,000,000	II
			2,705,303	–	(705,303)	2,000,000	
Mr. Yu Xiumin	29/12/2009	(1)	604,545	–	(604,545)	–	I
	15/6/2012	(2)	1,000,000	–	–	1,000,000	II
			1,604,545	–	(604,545)	1,000,000	
Mr. Zuo Duofu	29/12/2009	(1)	604,545	–	(604,545)	–	I
	15/6/2012	(2)	1,000,000	–	–	1,000,000	II
			1,604,545	–	(604,545)	1,000,000	
Mr. Ye Xiang	29/12/2009	(1)	604,545	–	(604,545)	–	
	15/6/2012	(2)	1,000,000	–	–	1,000,000	
			1,604,545	–	(604,545)	1,000,000	

I. From 21 January 2011 to 31 December 2013 (both days inclusive) at exercise price of HK$1.062 (adjusted on 28 March 2011 and effective from 29 March 2011, details of which may refer to Note 4 below) per share option and is vested on the date falling on the first anniversary of the date of acceptance.

II. From 6 October 2012 to 30 June 2016 (both days inclusive) at exercise price of HK$0.49 per share option and is vested on the date immediately after three months from the date of acceptance.

Notes:

1. The closing price of the Shares immediately before the date on which the options were granted and offer was HK$1.06 and those option shares have been granted and offer under the Old Share Option Scheme.

2. The closing price of the Shares immediately before the date on which the options were granted and offer was HK$0.475 and those option shares were granted and offer under the Share Option Scheme.

3. The spouse of Mr. Lee, an executive Director, is an employee of the Group.

4. Pursuant to the terms of the Old Share Option Scheme, the exercise price and the number of the of the Shares entitled to be subscribed for under the Old Share Option Scheme have been adjusted as a result of the completion of the Open Offer, details of which may refer to the announcement of the Company dated 29 March 2011.

Save as disclosed herein, at no time during the year 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' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its subsidiaries was a party, and in which a Director had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

Particulars of the Company's share option scheme and the movements in the share options therein are set out in the above section "Directors' Rights to Acquire and Debentures" and note 35 to the financial statements.

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 2013, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Name of Shareholder	Capacity	Nature of interest	Number of Ordinary Shares	Approximate % of the issued Share capital*
Dragon Hill (Note 1)	Beneficial owner	Corporate	281,622,914	24.02%
Mr. Lee	Interest in controlled corporation (Note 1)	Corporate	281,622,914	24.02%
	Beneficial owner (Note 2)	Option	3,000,000	0.26%
	Interest held by spouse (Note 2)	Family's option	1,600,000	0.14%
		Total	286,222,914	24.42%
Wuling (Hong Kong) Holdings Limited ("Wuling HK") (Notes 3 and 4)	Beneficial owner	Corporate	433,651,975	37.00%
		Unlisted derivatives	481,813,886	41.10%
		Total	915,465,861	78.10%
Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") (Note 3)	Interested in controlled corporation	Corporate	433,651,975	37.00%
		Unlisted derivatives (Note 4)	481,813,886	41.10%
		Total	915,465,861	78.10%
Liuzhou Wuling (Note 3)	Interest in controlled corporation	Corporate	433,651,975	37.00%
		Unlisted derivatives (Note 4)	481,813,886	41.10%
		Total	915,465,861	78.10%

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 and Underlying Shares".

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

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

(4) The unlisted derivatives referred to two respective convertible notes both issuable to Wuling HK, of which (i) 136,986,300 Shares upon exercise in full of the conversion rights with a principal amount of HK$100,000,000 at the existing conversion price of HK$0.73 per Shares (subject to adjustments) and; (ii) 344,827,586 Shares upon exercise in full of the conversion rights with principal amount of HK$200,000,000 at the existing conversion price of HK$0.58 per Shares (subject to adjustment).

* The percentage has been adjusted based on the total number of Shares in issue as at 31 December 2013 (i.e. 1,172,165,390).

Other than as disclosed above, as at 31 December 2013, 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, an executive Director, is also a director of SGMW. SGMW is principally engaged in the manufacturing and trading businesses of motor vehicles and engines, which may have direct or indirect competition to the businesses of the Group. Although Mr. Wei is taken to have competing interests in SGMW by virtue of his common directorships, he fulfills his fiduciary duty in order to ensure that he acts in the best interest of the Shareholders and the Company as a whole at all times. Besides, as SGMW is operated and managed under a publicly listed company with independent management and administration, the Directors are satisfied that the Group is capable of carrying its businesses independently of, and at arm's length basis from, the businesses of SGMW.

CONNECTED TRANSACTION

(a) On 23 January 2013 (after trading hours), Liuzhou Wuling Motors Industrial Company Limited 柳州五菱汽車工業有限公司 ("Wuling Industrial"), a non-wholly owned subsidiary of the Company, as the transferee, and Liuzhou Wuling, as the transferor, entered into an equity transfer agreement pursuant to which Wuling Industrial has agreed to acquire and Liuzhou Wuling has agreed to sell the 2% equity interest in Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited 柳州五菱專用汽車製造有限公司 at a consideration of RMB1,792,408 payable in cash (equivalent to approximately HK$2,241,000). According to the Listing Rules, an approval from independent Shareholders for this transaction was exempted.

(b) On 27 November 2013 (after trading hours), the Company entered into a subscription agreement with Wuling HK as the subscriber whereby the Company has conditionally agreed to issue, and Wuling HK has conditionally agreed to subscribe for convertible notes in the aggregate principal amount of HK$200,000,000 (the "New Convertible Notes") (the "Subscription") for the repayment of the existing convertible loan notes held by and the shareholder's advances from Wuling HK which were both repayable in 2014. Assuming that the conversion rights in relation to the total principal amount of the New Convertible Notes of HK$200,000,000 are exercised in full at the initial conversion price of HK$0.58 per conversion share, a total of up to 344,827,586 conversion shares will be allotted and issued, details of which may refer to the Company's announcements dated 27 November 2013, 18 December 2013, 27 December 2013 and circular of the Company dated 3 January 2014. Independent shareholders' approval was obtained in the special general meeting of the Company held on 23 January 2014 and the Subscription was completed on 28 January 2014.

CONTINUING CONNECTED TRANSACTION

In order to ensure that the business and operation of Wuling Industrial and its subsidiaries (the "Wuling Industrial Group"), Wuling Industrial entered into the following agreements with the respective parties which are in effect during the year:

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

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

(3) a renewed agreement dated 31 January 2011 with Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited 柳州五菱寶馬利汽車有限公司 ("Baomali") in relation to the purchase of certain automobile air-conditioning parts and accessories by Wuling Industrial Group from Baomali ("Baomali Purchase Transactions"), the maximum aggregate value of the Baomali Purchase Transactions shall be RMB3,200,000, RMB4,000,000 and RMB5,800,000 for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the announcement of the Company dated 31 January 2011. The annual cap of the maximum aggregate value of the Baomali Purchase Transactions for the year ending 31 December 2013 was revised during the year pursuant to a renewed agreement entered into with Baomali on 18 September 2013 as detailed in item 12 below.

(4) a renewed agreement dated 31 January 2011 with Liuzhou Guangling Moulds & Tools Technology Limited 柳州廣菱模具技術有限公司 ("Guangling") in relation to the sales of raw materials by the Wuling Industrial Group to Guangling ("GL Sale Transactions"), the maximum aggregate value of the GL Sale Transactions shall be RMB75,000,000, RMB80,000,000 and RMB82,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the circular of the Company dated 21 February 2011.

(5) a renewed agreement dated 31 January 2011 with Guangling in relation to the purchases of automotive components and other accessories by the Wuling Industrial Group from Guangling ("GL Purchase Transactions"), the maximum aggregate value of the GL Purchase Transactions shall be RMB62,000,000, RMB74,000,000 and RMB96,000,000 respectively, for three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the circular of the Company dated 21 February 2011.

(6) a revised agreement dated 9 September 2011 with Guilin Bus Development Co., Limited 桂林客車發展有限責任公司 ("Guilin Bus") in relation to the sales of parts and raw materials to Guilin Bus by the Wuling Industrial Group ("Revised GB Sale Transactions"), the maximum value of the Revised GB Sale Transactions shall be revised to RMB80,000,000, RMB110,000,000 and RMB150,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the circular of the Company dated 29 September 2011. The annual cap of the maximum aggregate value of the Revised GB Sale Transactions for the year ending 31 December 2013 was revised during the year pursuant to the second revised agreement entered into with Guilin Bus on 18 September 2013 as detailed in item 13 below.

(7) a revised agreement dated 9 September 2011 with Guilin Bus in relation to the purchases of passenger mini-buses and its related accessories from Guilin Bus by the Wuling Industrial Group ("Revised GB Purchase Transactions"), the maximum value of the Revised GB Purchase Transactions shall be revised to RMB120,000,000, RMB160,000,000 and RMB220,000,000 respectively, for the three years ending 31 December 2011, 2012 and 2013, details of which were disclosed in the circular of the Company dated 29 September 2011. The annual caps of the maximum aggregate value of the Revised GB Purchase Transactions for the year ending 31 December 2013 was revised during the year pursuant to the second revised agreement entered into with Guilin Bus on 18 September 2013 as detailed in item 14 below.

(8) an agreement dated 30 December 2011 with Nanging Wuling-Guihua Vehicle Co., Limited 南寧五菱桂花車輛有限公司 ("Guihua") in relation to the sales of raw materials to Guihua by the Wuling Industrial Group ("Guihua Sale Transactions") for the three years ending 31 December 2014, the maximum value of the Guihua Sale Transactions shall be RMB7,000,000 for each of the three years ending 31 December 2014, details of which were disclosed in the announcement of the Company dated 30 December 2011.

(9) an agreement dated 30 December 2011 with Guihua in relation to the purchases of automotive components and related accessories by the Wuling Industrial Group from Guihua ("Guihua Purchase

Transactions") for the three years ending 31 December 2014, the maximum value of the Guihua Purchase Transactions shall be RMB8,000,000 for each of the three years ending 31 December 2014, details of which were disclosed in the announcement of the Company dated 30 December 2011.

(10) a renewed agreement dated 30 December 2011 with Guangling in relation to the provision of water and power supply services by the Wuling Industrial Group to Guangling for the three years ending 31 December 2014, the maximum aggregate value of the transactions shall be RMB2,000,000 for each of the three years ending 31 December 2014, details of which were disclosed in the announcement of the Company dated 30 December 2011.

(11) a renewed agreement dated 30 December 2011 with Liuzhou Keer Digital Manufacturing Co., Limited 柳州科爾數字化製造技術有限公司 ("KE Digital") in relation to the purchase of certain devices and components by the Wuling Industrial Group from KE Digital ("KE Purchase Transactions") for the three years ending 31 December 2014, the maximum aggregate value of the transactions shall be RMB7,000,000 for each of the three years ending 31 December 2014, details of which were disclosed in the announcement of the Company dated 30 December 2011. The annual caps of the maximum aggregate value of the KE Purchase Transactions for the years ending 31 December 2013 and 2014 was revised during the year pursuant to a revised agreement entered into with KE Digital on 18 September 2013 as detailed in item 15 below.

(12) a renewed agreement dated 18 September 2013 with Baomali in relation to revision of the annual cap for the Baomali Purchase Transactions, the maximum aggregate value of the Revised Baomali Purchase Transactions for the year ending 31 December 2013 be revised to RMB14,000,000, details of which were disclosed in the circular of the Company dated 22 October 2013.

(13) the second revised agreement dated 18 September 2013 with Guilin Bus in relation to revision of the annual cap for the Revised GB Sale Transactions, the maximum aggregate value of the Revised GB Sale Transactions for the year ending 31 December 2013 be revised to RMB350,000,000, details of which were disclosed in the circular of the Company dated 22 October 2013.

(14) the second revised agreement dated 18 September 2013 with Guilin Bus in relation to revision of the annual cap of the Revised GB Purchase Transactions, the maximum aggregate value of the Revised GB Purchase Transactions for the year ending 31 December 2013 be revised to RMB420,000,000, details of which were disclosed in the circular of the Company dated 22 October 2013.

(15) a renewed agreement dated 18 September 2013 with Liuzhou KE Digital in relation to revision of the annual caps for the KE Purchase Transactions, the maximum value of the Revised KE Purchase Transactions for the year ending 31 December 2013 and 2014 be revised to RMB11,000,000 and RMB15,000,000 respectively, details of which were disclosed in the circular of the Company dated on 22 October 2013.

Liuzhou Wuling is a substantial shareholder of the Company, by virtue of its interests in Wuling HK, is regarded as connected person of the Company pursuant to the Listing Rules.

Guangling, Guilin Bus, Guihua, KE Digital and Baomali, as associates of Liuzhou Wuling, are regarded as connected persons to the Company pursuant to the Listing Rules.

The transactions listed above constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules, in which independent shareholders' approval for item No.1, items No. 4 to 7 and items No. 12 to 15 were obtained in the following special general meetings of the Company:

Item	Particulars	Date of Special General Meeting
(1)	Leasing of Properties	31 January 2013
(4)	GL Sale Transactions	10 March 2011
(5)	GL Purchase Transactions	10 March 2011
(6)	Revised GB Sale Transactions	24 October 2011
(7)	Revised GB Purchase Transactions	24 October 2011
(12)	Revised Baomali Purchase Transactions	8 November 2013
(13)	Revised GB Sale Transactions	8 November 2013
(14)	Revised GB Purchase Transactions	8 November 2013
(15)	Revised KE Purchase Transactions	8 November 2013

As for items No. 2, 3, and 8 to 11 above, approval from independent Shareholders were exempted under the Listing Rules.

The aggregate amounts of each of the abovementioned continuing connected transactions were within the maximum aggregate value as stated in the respective agreements for the year ended 31 December 2013.

Pursuant to rule 14A.38 of the Listing Rules, the board of 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 the annual report in accordance with Rule 14A.33 of the Listing Rules.

The independent non-executive Directors have reviewed the above connected and continuing connected transactions and confirm that these transactions entered into by the Group were:

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

(ii) on arm's length basis, on normal commercial terms and on terms that are fair and reasonable as far as the shareholders of the Company are concerned; and

(iii) in accordance with the terms of the agreements governing such transactions.

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

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors including Mr. Zuo Duofu (Chairman of the Remuneration Committee), Mr. Yu Xiumin and Mr. Ye Xiang, 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 is set out in the Corporate website of the Company, where a summary of duties and works of the Remuneration Committee during the year ended 31 December 2013 is set out in the "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The Company has an audit committee which was 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 process and internal controls.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ye Xiang (Chairman of the Audit Committee), Mr. Yu Xiumin and Mr. Zuo Duofu, 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 is set out in the Corporate website of the Company, where a summary of duties and works of the Audit Committee during the year ended 31 December 2013 is set out in the "Corporate Governance Report" in this annual report.

The audited financial statements for the year ended 31 December 2013 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive Directors, namely including Mr. Yu Xiumin (Chairman of the Nomination Committee), Mr. Zuo Duofu and Mr. Ye Xiang, as well as Mr. Sun Shaoli, Chairman of the Board and 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-appointment of the Directors.

The terms of reference of the Nomination Committee is set out in the corporate website of the Company, where a summary of duties and works of the Nomination Committee during the year ended 31 December 2013 is set out in the "Corporate Governance Report" in this annual report.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year (2012: Nil).

STAFF

As at 31 December 2013, the Company and its subsidiaries had approximately 12,400 employees. Salaries of employee are maintained at competitive levels and business 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.

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, which has been revised pursuant to recent amendments to the Listing Rules. The directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2013.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Company maintained sufficient float being 25% of the Company's total issued share capital as required under the Listing Rules.

EVENT AFTER THE REPORTING DATE

Details of a significant event occurring after the reporting date are set out in note 48 to the financial statements.

AUDITOR

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

On behalf of the board

Sun Shaoli
Chairman
25 March 2014

Deloitte.
德勤

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

We have audited the consolidated financial statements of Wuling Motors Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 144, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	6(a)	**12,037,324**	11,856,125
Cost of sales		**(10,777,875)**	(10,621,268)
Gross profit		**1,259,449**	1,234,857
Other income	6(b)	**44,681**	63,765
Other gains and losses	6(c)	**(2,468)**	10,405
Selling and distribution costs		**(320,136)**	(353,229)
General and administrative expenses		**(763,218)**	(722,309)
Share of results of joint ventures	19	**418**	–
Finance costs	7	**(88,287)**	(89,806)
Profit before taxation		**130,439**	143,683
Income tax expense	8	**(24,405)**	(45,106)
Profit for the year	9	**106,034**	98,577
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operation		**2,355**	(307)
Exchange reserve released upon disposal of subsidiaries		**–**	(247)
Other comprehensive income (expense) for the year		**2,355**	(554)
Total comprehensive income for the year		**108,389**	98,023
Profit for the year attributable to:			
Owners of the Company		**50,528**	40,214
Non-controlling interests		**55,506**	58,363
		106,034	98,577
Total comprehensive income attributable to:			
Owners of the Company		**52,883**	39,660
Non-controlling interests		**55,506**	58,363
		108,389	98,023
Earnings per share	13		
Basic		**4.31 cents**	3.44 cents
Diluted		**3.74 cents**	2.84 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,581,116**	1,294,854
Prepaid lease payments	15	**211,692**	189,918
Premium on prepaid lease payments	16	**922**	947
Investment properties	17	**7,130**	7,024
Intangible assets	18	**628**	628
Interests in joint ventures	19	**68,103**	–
Goodwill	20	**5,252**	5,252
Deposits paid for acquisition of land use rights	21	**–**	25,200
Deposits paid for acquisition of property, plant and equipment	22	**209,756**	247,172
Deposit paid for acquisition of an equity investment	32	**22,000**	–
		2,106,599	1,770,995
CURRENT ASSETS			
Inventories	23	**1,189,408**	710,516
Trade and other receivables	24	**5,868,265**	6,949,514
Prepaid lease payments	15	**4,731**	4,126
Tax recoverable		**1,166**	5,756
Pledged bank deposits	26	**723,349**	779,932
Bank balances and cash	26	**313,465**	483,161
		8,100,384	8,933,005
CURRENT LIABILITIES			
Trade and other payables	27	**7,031,265**	7,517,993
Amounts due to shareholders	28	**249,283**	170,962
Provision for warranty	29	**158,698**	146,501
Tax payable		**29,054**	9,828
Derivative financial instrument	30	**–**	7,534
Convertible loan notes	30	**83,228**	–
Bank and other borrowings — due within one year	31	**820,850**	953,328
		8,372,378	8,806,146
NET CURRENT (LIABILITIES) ASSETS		**(271,994)**	126,859
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,834,605**	1,897,854

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Amounts due to shareholders	28	446,384	526,323
Convertible loan notes	30	–	81,869
Bank borrowings — due after one year	31	–	1,054
Deferred income	32	21,206	–
Deferred tax liabilities	33	16,376	23,366
		483,966	632,612
		1,350,639	1,265,242
CAPITAL AND RESERVES			
Share capital	34	4,529	4,524
Reserves		581,330	533,673
Equity attributable to owners of the Company		585,859	538,197
Non-controlling interests		764,780	727,045
		1,350,639	1,265,242

The consolidated financial statements on pages 58 to 144 were approved and authorized for issue by the Board of Directors on 25 March 2014 and are signed on its behalf by:

Sun Shaoli
Chairman

Lee Shing
Vice-chairman and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 equity RMB'000
At 1 January 2012	4,524	–	5,787	35,763	23,746	121,833	18,505	276,331	486,489	718,560	1,205,049
Profit for the year	–	–	–	–	–	–	–	40,214	40,214	58,363	98,577
Other comprehensive expense for the year	–	–	(554)	–	–	–	–	–	(554)	–	(554)
Total comprehensive income for the year	–	–	(554)	–	–	–	–	40,214	39,660	58,363	98,023
Recognition of equity settled share-based payments	–	–	–	–	16,819	–	–	–	16,819	–	16,819
Forfeit/lapse of share options	–	–	–	–	(12,234)	–	–	12,234	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	7,066	7,066
Dividend paid (note 12)	–	–	–	–	–	–	–	(4,771)	(4,771)	–	(4,771)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(56,944)	(56,944)
Transfers	–	–	–	–	–	55,418	–	(55,418)	–	–	–
Subtotal	–	–	–	–	4,585	55,418	–	(47,955)	12,048	(49,878)	(37,830)
At 31 December 2012	4,524	–	5,233	35,763	28,331	177,251	18,505	268,590	538,197	727,045	1,265,242

	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 equity RMB'000
Profit for the year	–	–	–	–	–	–	–	50,528	50,528	55,506	106,034
Other comprehensive income for the year	–	–	2,355	–	–	–	–	–	2,355	–	2,355
Total comprehensive income for the year	–	–	2,355	–	–	–	–	50,528	52,883	55,506	108,389
Forfeit/lapse of share options	–	–	–	–	(10,500)	–	–	10,500	–	–	–
Exercise of share options	5	830	–	–	(233)	–	–	–	602	–	602
Acquisition of additional interest in a subsidiary (note 47(iii))	–	–	–	–	–	–	–	(1,114)	(1,114)	(678)	(1,792)
Dividend paid (note 12)	–	–	–	–	–	–	–	(4,709)	(4,709)	–	(4,709)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(17,093)	(17,093)
Transfers	–	–	–	–	–	25,253	–	(25,253)	–	–	–
Subtotal	5	830	–	–	(10,733)	25,253	–	(20,576)	(5,221)	(17,771)	(22,992)
At 31 December 2013	4,529	830	7,588	35,763	17,598	202,504	18,505	298,542	585,859	764,780	1,350,639

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. 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 Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), which is a substantial shareholder of the Company by virtue of its 100% equity interest in Wuling (Hong Kong) Holdings Limited ("Wuling HK"). Wuling HK holds 37.00% equity interest in, and has significant influence over, the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**130,439**	143,683
Adjustments for:			
Allowance (reversal of allowance) for inventories		**12,545**	(5,196)
Amortization of deferred income		**(794)**	–
Bank interest income		**(26,032)**	(28,034)
Change in fair value of derivative financial instrument		**(7,534)**	(11,309)
Change on revaluation of investment properties		**(343)**	(1,534)
Depreciation of property, plant and equipment		**159,386**	121,526
Finance costs		**88,287**	89,806
Gain on change in fair value of held-for-trading investments		**–**	(1)
Impairment losses recognized on trade receivables		**11,029**	6,483
Impairment loss reversed in respect of trade receivables		**(2,131)**	(1,254)
Loss on disposal of available-for-sale investments		**–**	232
Loss (gain) on disposal of property, plant and equipment		**1,509**	(24)
Loss (gain) on disposal of subsidiaries		**31**	(1,710)
Recognition of equity-settled share-based payments		**–**	16,819
Release of premium on prepaid lease payments		**25**	25
Release of prepaid lease payments		**4,853**	4,069
Share of results of joint ventures		**(418)**	–
Operating cash flows before movements in working capital		**370,852**	333,581
Increase in inventories		**(491,437)**	(118,970)
Decrease (increase) in trade and other receivables		**1,182,810**	(370,704)
Net increase in bills receivables discounted with recourse		**(110,459)**	(192,400)
(Decrease) increase in trade and other payables		**(486,728)**	1,506,358
Increase in provision for warranty		**12,197**	21,784
Cash generated from operations		**477,235**	1,179,649
Income tax paid		**(14,546)**	(32,876)
Withholding tax refund (paid)		**6,967**	(5,808)
NET CASH FROM OPERATING ACTIVITIES		**469,656**	1,140,965

	Notes	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(1,397,917)**	(1,624,756)
Purchase of property, plant and equipment		**(220,587)**	(184,893)
Deposits paid for acquisition of property, plant and equipment		**(209,444)**	(239,397)
Acquisition of interests in joint ventures		**(67,685)**	–
Addition of prepaid lease payments		**(2,032)**	–
Acquisition of additional interest in a subsidiary	47(iii)	**(1,792)**	–
Disposal of subsidiaries	45	**(31)**	4,875
Withdrawal of pledged bank deposits		**1,454,500**	1,351,795
Bank interest income received		**26,032**	28,034
Proceeds from disposal of property, plant and equipment		**11,776**	3,427
Proceeds from government grants		**8,500**	27,327
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	44	**–**	(18,072)
Deposits paid for acquisition of land use rights		**–**	(14,400)
Purchase of investment properties		**–**	(5,570)
Proceeds from disposal of available-for-sale investment		**–**	128
Proceeds from disposal of held-for-trading investments		**–**	6
NET CASH USED IN INVESTING ACTIVITIES		**(398,680)**	(671,496)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(524,464)**	(1,183,508)
Interest paid		**(45,935)**	(60,083)
Repayment to a shareholder		**(18,711)**	(207,899)
Dividend paid		**(4,709)**	(4,771)
Bank borrowings raised		**284,425**	518,144
Net increase in advances drawn on bills receivables discounted with recourse		**69,027**	164,169
Issue of shares upon exercise of share options		**602**	–
Dividend paid to non-controlling interests of subsidiaries		**–**	(56,944)
Repayment of obligations under finance leases		**–**	(74)
NET CASH USED IN FINANCING ACTIVITIES		**(239,765)**	(830,966)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(168,789)**	(361,497)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**483,161**	844,729
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(907)**	(71)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**313,465**	483,161

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"). 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 47.

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

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

Application of new and revised HKFRSs

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised 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.

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

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) Int-12 "Consolidation — Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the investees which are consolidated into the consolidated financial statements before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, 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 (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the comparative period (please see notes 17 and 43(iii) for the disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

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

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)–Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized
4 Effective for annual periods beginning on or after 1 July 2014, with limited exception
5 Effective for annual periods beginning on or after 1 January 2016

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that based on the financial instruments of the Group as of 31 December 2013, the adoption of HKFRS 9 in the future do not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 "Investment Entities"

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. 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 certain properties and financial instruments, which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

3. 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 associate or 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.

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

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

Service income is recognized when services are provided.

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

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

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

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

Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefits costs

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditures

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

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

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

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

Inventories

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

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 balance and cash) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

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

Impairment of financial assets

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Financial liabilities including trade and other payables, amounts due to shareholders and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Convertible loan notes

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

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

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

Derivative financial instruments

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

Embedded derivatives

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

Financial guarantee contracts

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

Provisions

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to directors and employees (continued)

Where 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.

Share options granted to other parties

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

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

As at 31 December 2013, the carrying amount of property, plant and equipment was approximately RMB1,581,116,000 (2012: RMB1,294,854,000).

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

Key sources of estimation uncertainty (continued)

Estimated impairment of trade receivables

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

As at 31 December 2013, the carrying amount of trade and bills receivable was approximately RMB4,687,931,000 (net of allowance for doubtful debts of approximately RMB20,511,000) (2012: carrying amount of approximately RMB5,861,754,000 net of allowance for doubtful debts of approximately RMB11,631,000).

Provision for warranty

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

As at 31 December 2013, the carrying amount of provision for warranty was approximately RMB158,698,000 (2012: RMB146,501,000).

5. 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.

During the current year, the two reportable segments, namely "Automotive components and accessories" and "Trading of raw materials, and provision of water and power supply" was grouped as one reportable segment named "Automotive components and other industrial services" as a result of the change of the structure of its internal organization. Accordingly, the segment information for the year ended 31 December 2012 was restated.

5. SEGMENT INFORMATION (continued)

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:

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2013						
Revenue						
External sales	3,366,625	6,657,943	2,012,641	115	–	12,037,324
Inter-segment sales	773,360	1,435	–	–	(774,795)	–
Total	4,139,985	6,659,378	2,012,641	115	(774,795)	12,037,324
Segment profit (loss)	125,363	74,353	40,712	(8,407)		232,021
Bank interest income						26,032
Change in fair value of derivative financial instrument						7,534
Central administration costs						(47,248)
Loss on disposal of subsidiaries						(31)
Share of results of joint ventures						418
Finance costs						(88,287)
Profit before taxation						130,439

5. SEGMENT INFORMATION (continued)

Segment revenues and results

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2012 (restated)						
Revenue						
External sales	3,429,764	6,729,514	1,696,641	206	–	11,856,125
Inter-segment sales	558,599	90,570	105,422	–	(754,591)	–
Total	3,988,363	6,820,084	1,802,063	206	(754,591)	11,856,125
Segment profit (loss)	112,692	96,133	50,814	(10,259)		249,380
Bank interest income						28,034
Change in fair value of derivative financial instrument						11,309
Share option expenses						(16,819)
Central administration costs						(40,125)
Gain on disposal of subsidiaries						1,710
Finance costs						(89,806)
Profit before taxation						143,683

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss incurred by each segment without the allocation of central administrative costs, bank interest income, change in fair value of derivative financial instrument, share option expenses, gain (loss) on disposal of subsidiaries, share of results of joint ventures and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
At 31 December 2013					
Assets					
Segment assets	2,974,808	4,993,011	1,090,797	20,284	9,078,900
Interests in joint ventures					68,103
Deposit paid for acquisition of an equity investment					22,000
Pledged bank deposits					723,349
Bank balances and cash					313,465
Tax recoverable					1,166
Consolidated assets					10,206,983
Liabilities					
Segment liabilities	2,603,086	3,967,421	1,168,098	2,683	7,741,288
Amounts due to shareholders					695,667
Convertible loan notes					83,228
Bank borrowings					290,731
Others					45,430
Consolidated liabilities					8,856,344

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
At 31 December 2012 (restated)					
Assets					
Segment assets	2,826,048	5,569,641	1,030,490	8,972	9,435,151
Pledged bank deposits					779,932
Bank balances and cash					483,161
Tax recoverable					5,756
Consolidated assets					10,704,000
Liabilities					
Segment liabilities	2,712,189	4,361,198	1,009,264	4,704	8,087,355
Amounts due to shareholders					697,285
Derivative financial instrument					7,534
Convertible loan notes					81,869
Bank borrowings					531,521
Others					33,194
Consolidated liabilities					9,438,758

The assets of the Group are allocated based on the operations of the segments. However, interests in joint ventures, deposit paid for acquisition of an equity investment, pledged bank deposits, bank balances and cash and tax recoverable are not allocated to the segments.

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

The liabilities of the Group are allocated based on the operations of the segments. However, amounts due to shareholders, derivative financial instrument, convertible loan notes, bank borrowings, tax payables and deferred tax liabilities are not allocated to the segments.

Other segment information

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
For the year ended 31 December 2013					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	111,290	401,289	41,280	5	553,864
Depreciation of property, plant and equipment	56,324	97,946	4,983	133	159,386
Release of prepaid lease payments	1,727	3,126	–	–	4,853
Release of premium on prepaid lease payments	–	25	–	–	25
Loss (gain) on disposal of property, plant and equipment	656	853	–	–	1,509
Allowance for inventories	6,445	6,100	–	–	12,545
Impairment loss reversed in respect of trade receivables	(2,068)	(63)	–	–	(2,131)
Impairment losses recognized on trade receivables	10,545	484	–	–	11,029
Research and development expenses	40,835	66,433	5,330	–	112,598
Change on revaluation in fair value of investment properties	–	–	–	343	343

5. SEGMENT INFORMATION (continued)

Other segment information (continued)

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
For the year ended 31 December 2012 (restated)					
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets	60,262	134,868	146,107	6,078	347,315
Depreciation of property, plant and equipment	44,434	71,337	5,628	127	121,526
Release of prepaid lease payments	1,596	2,473	–	–	4,069
Release of premium on prepaid lease payments	–	25	–	–	25
(Gain) loss on disposal of property, plant and equipment	(77)	53	–	–	(24)
(Reversal of) allowance for inventories	(6,382)	1,186	–	–	(5,196)
Impairment loss reversed in respect of trade receivables	(1,031)	–	(223)	–	(1,254)
Impairment losses recognized on trade receivables	6,169	242	72	–	6,483
Research and development expenses	31,618	48,597	35,526	–	115,741
Change on revaluation of investment properties	–	–	–	1,534	1,534
Loss on disposal of available-for-sales investments	116	116	–	–	232

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.

	2013 RMB'000	2012 RMB'000
The PRC (excluding Hong Kong)	**12,037,209**	11,855,919
Hong Kong	**115**	206
Consolidated	**12,037,324**	11,856,125

5. SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

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

	2013 RMB'000	2012 RMB'000
Hong Kong	**7,462**	7,024
Philippines	**628**	628
The PRC (excluding Hong Kong)	**2,098,509**	1,763,343
	2,106,599	1,770,995

Information about a major customer

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

	2013 RMB'000	2012 RMB'000 (restated)
Engines and related parts	**2,033,633**	2,308,199
Automotive components and other industrial services	**5,419,246**	5,750,350
Specialized vehicles	**21,796**	93,049
	7,474,675	8,151,598

6. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

	2013 RMB'000	2012 RMB'000
Sales of:		
— Engines	3,250,439	3,344,467
— Engines related parts	116,186	85,297
— Automotive components and accessories	5,743,543	5,670,782
— Specialized vehicles	2,012,641	1,696,641
Trading of raw materials	684,874	823,616
Provision of water and power supply	229,526	235,116
	12,037,209	11,855,919
Gross property rental income from investment properties	115	206
	12,037,324	11,856,125

(b) Details of other income are as follows:

	2013 RMB'000	2012 RMB'000
Sales of scrap materials and parts	6,316	30,013
Bank interest income	26,032	28,034
Service income on repairs and maintenance	5,325	1,396
Machinery and other property rental income	921	525
Amortization of deferred income	794	–
Trading of timber	239	–
Others	5,054	3,797
	44,681	63,765

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

	2013 RMB'000	2012 RMB'000
Change in fair value of derivative financial instrument	7,534	11,309
Impairment loss reversed in respect of trade receivables	2,131	1,254
Gain on revaluation of investments properties	343	1,534
Foreign exchange gains, net	93	1,288
(Loss) gain on disposal of property, plant and equipment	(1,509)	24
(Loss) gain on disposal of subsidiaries (note 45)	(31)	1,710
Impairment losses recognized on trade receivables	(11,029)	(6,483)
Loss on disposal of available-for-sale investments	–	(232)
Gain on change in fair value of held-for-trading investments	–	1
	(2,468)	10,405

7. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interests on:		
— amounts due to shareholders (note 28)	16,636	4,517
— borrowings wholly repayable within five years	24,475	50,448
— borrowings not wholly repayable within five years	36	212
— advances drawn on bills receivables (note)	38,231	25,956
— obligations under finance leases	–	18
— convertible loan notes (note 30)	8,909	8,655
	88,287	89,806

note: Included RMB10,347,000 finance cost (2012: nil) paid to a shareholder in respect of bills discounted to that shareholder. Details of provision of facility are set out in note 41(vii).

8. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	28,152	35,961
Withholding tax on dividend distribution	(6,079)	5,808
Underprovision in prior years	9,321	1,723
	31,394	43,492
Deferred tax (note 33)		
Current year	1,050	1,614
Effect of change in tax rate	(8,039)	–
	(6,989)	1,614
	24,405	45,106

8. INCOME TAX EXPENSE (continued)

The PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the tax notice, Caishui [2001] No. 202 and the Implementation Regulations of the EIT Law issued by the State Council of the PRC on 6 December 2008, the relevant state policy and the approval obtained from tax authorities in charge, other than Wuling Industrial, all the Group's major PRC operating subsidiaries which are located in specified provinces of Western China and engaged in a specific state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Pursuant to Caishui [2011] No. 58 issued in 2011, such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprises are engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue"), and confirmation notice from the relevant authority on the 15% EIT rate, which for the year 2012 had been obtained by the enterprises. The Catalogue will be issued separately. In addition, with reference to the Notice 2011 No. 2 issued by Guangxi Local Tax Bureau and the local practices adopted, for the transition between Caishui [2001] No. 202 and Caishui [2011] No. 58, entities which enjoyed preferential EIT rate for the development of the western regions in Guangxi Province previously, could adopt 15% preferential tax rate when making their quarterly EIT prepayments in 2012 and 2013. The Catalogue setting out the qualifying industries has not been issued yet up to the end of the reporting period.

Wuling Industrial had previously estimated its EIT provision for the year ended 31 December 2012 using the preferential EIT rate of 15% but subsequently found that it did not fulfill all the conditions required for such preferential treatment. Accordingly, an under-provision of EIT of RMB7,084,000 was recognized in profit or loss for the current year.

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. Prior to the current year, the Group had accrued withholding tax at the rate of 10% pending clarification from the relevant tax authority. In July 2013, the Group received confirmation from the relevant tax authority that it was entitled to a withholding tax rate of 5% effective from October 2009. Accordingly, a reversal of withholding tax previously provided as deferred tax, amounted to RMB8,039,000, was recognized in profit or loss in the current year. Other than this reversal, deferred tax of RMB2,227,000 (2012: RMB7,638,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss during the year.

8. 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:

	2013 RMB'000	2012 RMB'000
Profit before taxation	130,439	143,683
Tax at the domestic income tax rate of 15% (note)	19,566	21,552
Tax effect of share of results of joint ventures	(63)	–
Tax effect of expenses not deductible for tax purposes	6,479	11,247
Tax effect of income not taxable for tax purposes	(8,715)	(2,943)
Tax effect of deductible temporary difference not recognized	4,077	188
Utilization of deductible temporary differences previously not recognized	–	(1,429)
Tax effect of tax losses not recognized	5,465	7,127
Tax effect of undistributed profits of PRC subsidiaries	2,227	7,638
Refund of withholding tax paid in previous year	(6,967)	–
Effect of different tax rates of subsidiaries	1,054	3
Decrease in deferred tax liability resulting from a decrease in applicable tax rate	(8,039)	–
Underprovision in prior years	9,321	1,723
Income tax expense for the year	24,405	45,106

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

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

9. PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments (note 10)	**5,789**	8,789
Other staff costs:		
Salaries, bonus and other benefits	**729,365**	607,097
Retirement benefit scheme contributions, excluding directors	**53,364**	56,246
Equity settled share-based payments excluding directors	**–**	13,684
Total staff costs	**788,518**	685,816
Gross property rental income	**(115)**	(206)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**1**	1
Net rental income	**(114)**	(205)
Auditor's remuneration	**1,596**	1,630
Cost of inventories recognized as an expense (note)	**10,777,875**	10,621,268
Depreciation of property, plant and equipment	**159,386**	121,526
Release of prepaid lease payments (included in general and administrative expenses)	**4,853**	4,069
Release of premium on prepaid lease payments (included in general and administrative expenses)	**25**	25
Research and development expenses (included in general and administrative expenses)	**112,598**	115,741
Transportation costs (included in selling and distribution costs)	**171,104**	217,607

note: Included in arriving at cost of inventories is an amount of RMB12,545,000 recognized as allowance for inventories (2012: a reversal of allowance for inventories of RMB5,196,000).

10. 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	Share-based payments RMB'000	Total emoluments RMB'000
2013					
Sun Shaoli	**201**	**1,245**	**54**	**–**	**1,500**
Lee Shing (note i)	**1,202**	**232**	**12**	**–**	**1,446**
Wei Hongwen	**172**	**405**	**54**	**–**	**631**
Zhong Xianhua	**172**	**324**	**54**	**–**	**550**
Liu Yaling	**172**	**–**	**–**	**–**	**172**
Zhou Sheji	**172**	**913**	**12**	**–**	**1,097**
Yu Xiumin	**115**	**–**	**–**	**–**	**115**
Zuo Duofu	**115**	**–**	**–**	**–**	**115**
Ye Xiang	**163**	**–**	**–**	**–**	**163**
	2,484	**3,119**	**186**	**–**	**5,789**
2012					
Sun Shaoli	176	1,362	91	523	2,152
Lee Shing (note i)	1,154	298	11	523	1,990
Wei Hongwen	176	466	78	348	1,068
Zhong Xianhua	176	291	97	348	912
Liu Yaling	176	15	–	523	714
Zhou Sheji	176	500	11	348	1,031
Yu Xiumin	117	–	–	174	291
Zuo Duofu	117	–	–	174	291
Ye Xiang	166	–	–	174	340
	2,434	2,932	288	3,135	8,789

note:

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors and the chief executive officer of the Company whose emolument is included in the disclosure in note 10 above. The emolument of the remaining one (2012: one) individual is as follows:

	2013 RMB'000	2012 RMB'000
Salaries and other benefits	975	953
Bonus	113	110
Share-based payments	–	321
Contributions to retirement benefits schemes	12	11
Total emolument	1,100	1,395

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 2013 and 2012.

12. DIVIDEND

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
2012 Final dividend of HK0.5 cent (2012: 2011 final dividend of HK0.5 cent) per share	4,709	4,771

Subsequent to the end of the reporting period, a final dividend of HK0.5 cent per share amounting to approximately HKD5,861,000 (or equivalent to RMB4,677,000) in respect of the year ended 31 December 2013 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. 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:

	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share		
(profit of the year attributable to owners of the Company)	**50,528**	40,214
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	**6,147**	8,233
Change in fair value of derivative financial instrument	**(7,534)**	(11,309)
Earnings for the purpose of diluted earnings per share	**49,141**	37,138

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose		
of basic earnings per share	**1,171,192**	1,170,605
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**136,986**	136,986
Share options	**6,244**	–
Weighted average number of ordinary shares for the purpose		
of diluted earnings per share	**1,314,422**	1,307,591

The computation of diluted earnings per share for the year ended 31 December 2012 did not assume the exercise of the outstanding share options as the exercise price was higher than the average market price of the Company's shares during that year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold 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 2012	238,051	504	943,935	16,333	12,537	17,236	98,798	1,327,394
Exchange adjustments	(8)	(3)	–	(1)	(1)	(6)	–	(19)
Additions	7,878	396	10,444	13,398	4,260	8,960	268,552	313,888
Acquired on acquisition of a subsidiary (note 44)	25,323	–	2,389	58	48	417	–	28,235
Disposals	–	(90)	(26,183)	(1,585)	(2,592)	(1,939)	–	(32,389)
Disposal of subsidiaries (note 45)	(1,377)	(441)	–	(44)	–	–	–	(1,862)
Transfer	7,896	–	91,306	7,048	–	36	(106,286)	–
At 31 December 2012	277,763	366	1,021,891	35,207	14,252	24,704	261,064	1,635,247
Exchange adjustments	–	(12)	–	(8)	(11)	(26)	–	(57)
Additions	33,791	–	39,655	59,215	15,566	4,075	306,645	458,947
Disposals	(110)	–	(21,791)	(8,462)	(3,601)	(1,763)	–	(35,727)
Transfer	114,112	–	128,913	24,997	–	–	(268,022)	–
At 31 December 2013	425,556	354	1,168,668	110,949	26,206	26,990	299,687	2,058,410
ACCUMULATED DEPRECIATION								
At 1 January 2012	17,809	380	210,084	9,389	3,713	7,025	–	248,400
Exchange adjustments	(1)	(2)	–	(1)	(1)	(6)	–	(11)
Provided for the year	15,183	47	93,740	5,320	3,532	3,704	–	121,526
Eliminated on disposals	–	(31)	(23,886)	(1,360)	(2,461)	(1,248)	–	(28,986)
Eliminated on disposal of subsidiaries (note 45)	(149)	(369)	–	(18)	–	–	–	(536)
At 31 December 2012	32,842	25	279,938	13,330	4,783	9,475	–	340,393
Exchange adjustments	–	(2)	–	(7)	(11)	(23)	–	(43)
Provided for the year	19,927	72	109,784	18,105	6,717	4,781	–	159,386
Eliminated on disposals	(25)	–	(10,630)	(7,213)	(3,254)	(1,320)	–	(22,442)
At 31 December 2013	52,744	95	379,092	24,215	8,235	12,913	–	477,294
CARRYING VALUE								
At 31 December 2013	372,812	259	789,576	86,734	17,971	14,077	299,687	1,581,116
At 31 December 2012	244,921	341	741,953	21,877	9,469	15,229	261,064	1,294,854

14. 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 2013, the Group received government subsidy of RMB8,500,000 (2012: RMB27,327,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

The leasehold buildings are situated on land in the PRC held under medium-term leases.

15. PREPAID LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
At 1 January	194,044	175,508
Additions	27,232	–
Acquired on acquisition of a subsidiary (note 44)	–	22,605
Released to profit or loss	(4,853)	(4,069)
At 31 December	216,423	194,044
Analyzed as:		
Current portion	4,731	4,126
Non-current portion	211,692	189,918
	216,423	194,044

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.

16. 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.

17. INVESTMENT PROPERTIES

	2013 RMB'000	2012 RMB'000
FAIR VALUE		
At 1 January	7,024	26,217
Exchange realignment	(237)	114
Additions	–	5,570
Eliminated on disposal of subsidiaries (note 45)	–	(26,411)
Increase in fair value recognized in profit or loss	343	1,534
At 31 December	7,130	7,024

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 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by Vigers Appraisal & Consulting Limited ("Vigers"), independent qualified professional valuers not connected to the Group.

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

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

One of the key inputs used in valuing the investment properties was the price per square feet, which range from RMB4,200 to RMB4,300 and RMB1,300 to RMB1,500. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment properties and vice versa.

The fair value hierarchy of the Group's investment properties as at 31 December 2013 are categorized as level 3.

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

18. INTANGIBLE ASSETS

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

19. INTERESTS IN JOINT VENTURES

On 29 January 2013, the Group acquired 51% equity interest in Qingdao Dianshi Motor Accessories Company Limited ("Qingdao Dianshi") from an independent third party at a cash consideration of RMB11,985,000. Qingdao Dianshi is principally engaged in the manufacture of automotive accessories and is one of the suppliers of the Group.

The Group further established two joint ventures in October 2013, namely Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang") and Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte") with an aggregate capital injection of RMB55,700,000. Guangxi Weixiang is principally engaged in the manufacture of automotive accessories while Liuzhou Lingte is principally engaged in the manufacture of engines.

Details of the Group's interests in joint ventures are as follows:

	2013 RMB'000
Cost of unlisted investments in joint ventures	67,685
Share of post-acquisition profits	418
	68,103

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

Name of entity	Country of registration	Principal place of operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group	
			2013	2012	2013	2012
Qingdao Dianshi	PRC	PRC	51% (note)	N/A	51%	N/A
Guangxi Weixiang	PRC	PRC	50%	N/A	50%	N/A
Liuzhou Lingte	PRC	PRC	51% (note)	N/A	51%	N/A

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.

19. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of a material joint venture

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

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

Liuzhou Lingte

	2013 RMB'000
Current assets — cash and cash equivalents	40,709
Non-current assets	29,491
Current liabilities	–
Non-current liabilities	–

Liuzhou Lingte was newly established during the year and has not yet started the operations. Accordingly, it has not incurred any profit or loss during the year.

Reconciliation of the above summarized financial information to the carrying amount of the interest in Liuzhou Lingte recognized in the consolidated financial statements:

	2013 RMB'000
Net assets of Liuzhou Lingte	70,200
Less: Capital reserve not shared by the Group	(10,000)
	60,200
Proportion of the Group's ownership interest in Liuzhou Lingte	51%
Carrying amount of the Group's interest in Liuzhou Lingte	30,702

Aggregate information of joint ventures that are not individually material

Other than Liuzhou Lingte, the Group's share of profit of other joint ventures that are not individually material amounted to RMB418,000 (2012: nil).

20. GOODWILL

The entire goodwill is attributable to the acquisition of 75% equity interest in Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") during the year ended 31 December 2012 as disclosed in note 44, as a cash generating unit ("CGU").

During the year ended 31 December 2013, management of the Group determines that there is no impairment of goodwill of the Group to this CGU as the management considers that the recoverable amount of CGU is higher than its carrying value.

The basis of the recoverable amount of the above CGU and the major underlying assumptions are summarized below:

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15% (2012: 15%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

21. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

The amount represented the deposit paid to an independent third party for acquisition of land use rights located in the PRC for construction of a new production plant. The acquisition was completed and the respective land use rights certificate was obtained in February 2013.

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

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

23. INVENTORIES

	2013 **RMB'000**	2012 RMB'000
Raw materials	**292,573**	301,847
Work in progress	**65,195**	179,811
Finished goods	**831,640**	228,858
	1,189,408	710,516

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

(i) Trade and other receivables

	notes	2013 RMB'000	2012 RMB'000
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	(a)	**3,162,555**	3,959,753
— Liuzhou Wuling Group	(b)	**5,017**	25,062
— third parties		**1,540,870**	1,888,570
		4,708,442	5,873,385
Less: Allowance for doubtful debts		**(20,511)**	(11,631)
		4,687,931	5,861,754
Other receivables:			
Prepayments for expenses		**1,466**	106
Prepayments for purchase of raw materials	(c)	**497,604**	492,802
Value-added tax recoverable		**101,860**	106,192
Others		**43,809**	63,524
		644,739	662,624
Bills receivables discounted with recourse (note 24(ii))		**535,595**	425,136
Total trade and other receivables		**5,868,265**	6,949,514

notes:

(a) Liuzhou Wuling has significant influence over SGMW.

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

(c) Included in the balance was an amount of RMB115,233,000 (2012: RMB319,370,000) paid to SGMW.

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

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

(i) Trade and other receivables (continued)

Included in trade and other receivables are trade and bills receivables of RMB4,687,931,000 (2012: RMB5,861,754,000) and an aged analysis of trade receivables based on the invoice date (net of allowance for doubtful debts) and an aged analysis of bills receivables. based on the issue date of the bills are presented as follows:

	2013 RMB'000	2012 RMB'000
0 to 90 days	3,412,032	4,088,087
91 to 180 days	1,254,741	1,715,720
181 to 365 days	17,167	50,616
Over 365 days	3,991	7,331
	4,687,931	5,861,754

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 RMB34,971,000 (2012: RMB71,541,000) which were past due at the end of the reporting period but for which the Group has not provided impairment loss because the Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Group does not hold any collateral over these balances.

Ageing of trade receivables which were past due but not impaired

	2013 RMB'000	2012 RMB'000
0 to 90 days	13,813	13,594
91 to 180 days	17,167	50,616
Over 365 days	3,991	7,331
	34,971	71,541

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

(i) Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2013 RMB'000	2012 RMB'000
At 1 January	11,631	6,818
Impairment losses recognized on trade receivables	11,029	6,483
Amounts written off as uncollectible	(51)	(350)
Amounts recovered during the year	(2,131)	(1,254)
Exchange adjustments	33	(66)
At 31 December	20,511	11,631

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB20,511,000 (2012: RMB11,631,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

(ii) Bills receivables discounted with full recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days (2012: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 31.

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

	2013 RMB'000	2012 RMB'000
0–90 days	–	32,100
91–180 days	535,595	393,036
	535,595	425,136

25. TRANSFERS OF FINANCIAL ASSETS

(ii) Bills receivables discounted with full recourse (continued)

The following were the Group's financial assets as at 31 December 2013 and 2012 that were transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see note 31). These financial assets are carried at amortized cost in the Group's consolidated statement of financial position.

Bills receivables discounted to banks with full recourse

	2013 RMB'000	2012 RMB'000
Carrying amount of transferred assets	535,595	425,136
Carrying amount of associated liabilities	(530,119)	(422,861)
Net position	5,476	2,275

26. PLEDGED BANK DEPOSITS/BANK BALANCES

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

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

	Fixed/variable	2013	2012
Pledged deposits	Fixed	2%–3.05%	0.6%–3.3%
Bank balances	Variable	0.001%–1.15%	0.01%–1.15%

The amount of the Group's pledged bank deposits and bank balances and cash denominated in a currency other than the functional currency of the relevant group entities is set out below:

	2013 RMB'000	2012 RMB'000
Hong Kong dollars ("HKD")	649	17,510

27. TRADE AND OTHER PAYABLES

	notes	2013 RMB'000	2012 RMB'000
Trade and bills payables:			
— SGMW		97,140	179,821
— Liuzhou Wuling Group		28,495	30,004
— Qingdao Dianshi		18,631	14,765
— third parties		6,283,760	6,828,597
	(i)	6,428,026	7,053,187
Consideration payable (note 44(i))		–	3,450
Other payables and accruals	(ii)	603,239	461,356
Total trade and other payables		7,031,265	7,517,993

notes:

(i) Included in trade and other payables are trade and bills payables of RMB6,428,026,000 (2012: RMB7,053,187,000) and an aged analysis based on the invoice date is presented as follows:

	2013 RMB'000	2012 RMB'000
0 to 90 days	4,866,235	4,872,527
91 to 180 days	1,481,024	1,998,820
181 to 365 days	17,831	155,726
Over 365 days	62,936	26,114
	6,428,026	7,053,187

(ii) The amount represents receipt in advance from customers, accrued staff costs and accruals for operating expenses, payables for acquisition of property, plant and equipment and other miscellaneous payables.

(iii) The amount of the Group's trade and other payables denominated in a currency other than the functional currency of the relevant group entities is set out below:

	2013 RMB'000	2012 RMB'000
HKD	20,460	3,340

28. AMOUNTS DUE TO SHAREHOLDERS

	notes	2013 RMB'000	2012 RMB'000
Liuzhou Wuling	(i)	**615,682**	614,289
Wuling HK	(ii)	**79,985**	82,996
		695,667	697,285
Carrying amount repayable:			
On demand or within one year		**249,283**	170,962
More than one year, but not exceeding two years		**446,384**	526,323
		695,667	697,285
Less: Amount due within one year shown under current liabilities		**(249,283)**	(170,962)
Amount shown under non-current liabilities		**446,384**	526,323

notes:

(i) The entire balance is unsecured and interest-free. Other than an amount of RMB446,384,000 (2012: RMB444,837,000) which is repayable one year after the end of the reporting period, the balance is repayable on demand.

(ii) The amount is unsecured, bearing fixed interest at 4.5% (2012: 5.5%) per annum and was fully repaid in January 2014.

29. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2012	124,717
Additional provision in the year	83,701
Utilization of provision	(61,917)
At 31 December 2012	146,501
Additional provision in the year	60,667
Utilization of provision	(48,470)
At 31 December 2013	158,698

The warranty provision represents management's best estimate under its 2-year 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 financial year.

30. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with an aggregate principal sum of HK$100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling HK ("CN 2014"). CN 2014 is denominated in HKD and carries interest at 6% per annum with maturity on 12 January 2014. CN 2014 entitles the holder to convert, in whole or in part, the principal sum into ordinary shares of the Company on any business days commencing from 12 January 2010 upto the fifth business days prior to the maturity date, at a conversion price of HK$0.74 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2014 will be redeemed on the maturity date at par. As a result of the share placement and subscription at a discount on 12 March 2010, the conversion price of CN 2014 was adjusted from HK$0.74 per share to HK$0.73 per share with effect from 12 March 2010.

CN 2014 contain two components, being a liability component and a conversion option derivative component. The effective interest rate of the liability component is 11.64%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

The movement of the liability component of CN 2014 during the year is as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	81,869	78,524
Effective interest expense	8,909	8,655
Interest paid	(4,788)	(4,888)
Exchange difference	(2,762)	(422)
At 31 December	83,228	81,869
Analyzed as:		
Current	83,228	–
Non-current	–	81,869
	83,228	81,869

Movement in fair value of the conversion option derivative component of CN 2014 during the year is as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	7,534	18,843
Change in fair value during the year	(7,534)	(11,309)
At 31 December	–	7,534

30. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES (continued)

The methods and assumptions applied for the valuation of CN 2014 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by Grant Sherman Appraisal Limited, a firm of independent professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 11.64%, which was determined with reference to the credit rating of the Company and remaining time to maturity.

(ii) Valuation of conversion option derivative component

The conversion option component was measured at fair value using the Binomial Option Pricing Model by RHL Appraisal Limited and Ascent Partners Valuation Services Limited as of 31 December 2013 and 2012, respectively. The inputs into the model as at the respective dates are as follows:

	2013	2012
Share price	HK$0.56	HK$0.53
Conversion price	HK$0.73	HK$0.73
Expected dividend yield	0.942%	1.4151%
Volatility	37.545%	56.8138%

31. BANK AND OTHER BORROWINGS

	notes	2013 RMB'000	2012 RMB'000
Secured		43,205	22,941
Unsecured		247,526	508,580
		290,731	531,521
Advances drawn on bills receivables discounted with recourse	(i)	530,119	422,861
		820,850	954,382
Carrying amount repayable:	(ii)		
On demand or within one year		819,877	944,514
More than one year, but not more than two years		–	527
More than two years, but not more than five years		–	527
		819,877	945,568
Carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	(iii)	–	7,750
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)		973	1,064
		820,850	954,382
Less: Amount due within one year shown under current liabilities		(820,850)	(953,328)
Amount shown under non-current liabilities		–	1,054

31. BANK AND OTHER BORROWINGS (continued)

notes:

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

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

(iii) At 31 December 2012, the Group was in breach of certain covenants in respect of a bank borrowing of RMB7,750,000 which has became technically repayable on demand. In February 2013, the Group repaid the amount in full.

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

	2013 RMB'000	2012 RMB'000
Fixed-rate borrowings		
On demand or within one year	**777,645**	930,387
More than one year, but not more than two years	**–**	527
More than two years, but not more than five years	**–**	527
	777,645	931,441
Variable-rate borrowings — on demand or within one year	**42,232**	14,127
Carrying amount of variable-rate bank borrowings that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**–**	7,750
Carrying amount of variable-rate bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment of demand clause (shown under current liabilities)	**973**	1,064
	43,205	22,941
Total borrowings	**820,850**	954,382

(v) At 31 December 2013, except for bank borrowings of RMB43,205,000 (2012: RMB15,191,000) and RMB526,000 (2012: RMB1,581,000) which were denominated in HKD and Euro, respectively, all the Group's bank borrowings were denominated in RMB.

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

	2013 %	2012 %
Effective interest rate:		
Fixed-rate borrowings	**4.5 to 7.22**	4.5 to 7.22
Variable-rate borrowings	**2.31**	2.22 to 4.60

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

(viii) The Group's unsecured bank borrowings are supported by corporate guarantee to the extent of RMB600,000,000 (2012: RMB797,000,000) given by Liuzhou Wuling.

At 31 December 2012, the Group's secured bank borrowings were also supported by a personal guarantee to the extent of HK$9,662,000 given by Mr. Lee Shing ("Mr. Lee"), an executive director and shareholder whose shareholding give him significant influence over the Company. The guarantee was released during the year.

32. DEFERRED INCOME/DEPOSITS PAID FOR ACQUISITION OF AN EQUITY INVESTMENT

On 18 May 2013, the Group entered into an agreement with 福建新龍馬汽車股份有限公司 ("新龍馬"), an independent third party, to grant 新龍馬 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 新龍馬 to acquire 1.83% equity interest in 新龍馬 from 龍岩市龍馬汽車工業有限公司, the holding company of 新龍馬 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 新龍馬 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.

33. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation RMB'000	Revaluation of properties RMB'000	Tax losses RMB'000	Withholding tax on undistributed earnings of the PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2012	10	175	(153)	14,247	14,279
Exchange realignment	–	(1)	1	–	–
Released upon distribution of dividends	–	–	–	(5,808)	(5,808)
(Credit) charge to profit or loss	(1)	(207)	(8)	7,638	7,422
Acquisition of a subsidiary (note 44)	–	7,505	–	–	7,505
Disposal of subsidiaries (note 45)	–	(174)	142	–	(32)
At 31 December 2012	9	7,298	(18)	16,077	23,366
Effect of change in tax rate	–	–	–	(8,039)	(8,039)
Exchange realignment	–	(1)	–	–	(1)
Released upon distribution of dividends	–	–	–	(889)	(889)
(Credit) charge to profit or loss	(7)	(288)	7	2,227	1,939
At 31 December 2013	2	7,009	(11)	9,376	16,376

notes:

(i) At the end of the reporting period, the Group had unused tax losses of RMB201,117,000 (2012: RMB167,237,000). A deferred tax asset has been recognized in respect of tax losses of RMB73,000 (2012: RMB122,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB201,044,000 (2012: RMB167,115,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB73,473,000 (2012: RMB42,225,000) that will expire within five years. Other tax losses may be carried forward indefinitely.

(ii) At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences amounting to RMB54,544,000 (2012: RMB27,364,000).

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

34. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorized:		
Ordinary shares of HK$0.004 each	25,000,000,000	100,000
Convertible preference shares of HK$0.001 each	1,521,400,000	1,521
Balance at 1 January 2012, 31 December 2012 and 31 December 2013		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
At 1 January 2012, 31 December 2012 and 1 January 2013	1,170,605,390	4,682
Exercise of share options (note)	1,560,000	6
At 31 December 2013	1,172,165,390	4,688

	2013	2012
	RMB'000	RMB'000
Shown in the consolidated financial statements at the end of the reporting period as	**4,529**	4,524

note: During the year, 1,560,000 (2012: nil) ordinary shares of the Company of HK$0.004 each were issued upon the exercise of 1,560,000 share options with proceeds of HK$764,000 (equivalent to RMB602,000).

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

35. SHARE OPTION SCHEME

(a) Old Share Option Scheme

On 11 June 2002, the Company adopted a share option scheme (the "Old Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, which was terminated by the shareholders of the Company in the annual general meeting of the Company held on 28 May 2012 upon the adoption of the new share option scheme (the "New Share Option Scheme").

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

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

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

117,060,539 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.

35. SHARE OPTION SCHEME (continued)

(a) Old Share Option Scheme (continued)

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

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

Not applicable.

Amount payable on acceptance

HK$1.00

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 Old Share Option Scheme would be valid and effective until 7 July 2012, after which no further options would be granted but the provisions of the Old Share Option 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 were granted during the duration of the Old Share Option Scheme and remained unexercised immediately prior to 7 July 2012 shall continue to be exercisable in accordance with their terms of grant within the option period for which such options were granted, notwithstanding the expiry of the Old Share Option Scheme.

35. SHARE OPTION SCHEME (continued)

(a) Old Share Option Scheme (continued)

(ii) The following table discloses details of the Company's share options held by directors, advisors and employees and movements in such holding during the current and prior years:

For the year ended 31 December 2013

				Number of share options			
Date of grant	Vesting period	Exercise period	Adjusted exercise price per share (note i)	As at 1 January 2013	Expired during the year	Forfeited during the year (note ii)	As at 31 December 2013
Directors							
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HK$1.062	6,649,997	(6,649,997)	–	–
Advisors							
29 December 2009	From 30 December 2009 to 29 December 2010	From 30 December 2010 to 31 December 2013	HK$1.062	2,518,939	(1,712,878)	(806,061)	–
Employees (Continuous Contracts)							
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HK$1.062	21,184,193	(21,184,193)	–	–
Total				30,353,129	(29,547,068)	(806,061)	–
Weighted average exercise price				HK$1.062	HK$1.062	HK$1.062	N/A

35. SHARE OPTION SCHEME (continued)

(a) Old Share Option Scheme (continued)

(ii) The following table discloses details of the Company's share options held by directors, advisors and employees and movements in such holding during the current and prior years: (continued)

For the year ended 31 December 2012

Date of grant	Vesting period	Exercise period	Adjusted exercise price per share (note i)	Number of share options As at 1 January 2012	Expired during the year	Forfeited during the year (note ii)	As at 31 December 2012
Directors							
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HK$1.062	6,649,997	(6,649,997)	–	–
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HK$1.062	6,649,997	–	–	6,649,997
				13,299,994	(6,649,997)	–	6,649,997
Advisors							
29 December 2009	Nil	From 30 December 2009 to 31 December 2012	HK$1.062	2,518,939	(2,518,939)	–	–
29 December 2009	From 30 December 2009 to 29 December 2010	From 30 December 2010 to 31 December 2013	HK$1.062	2,518,939	–	–	2,518,939
				5,037,878	(2,518,939)	–	2,518,939
Employees (Continuous Contracts)							
29 December 2009	Nil	From 21 January 2010 to 31 December 2012	HK$1.062	23,919,964	(20,771,361)	(3,148,603)	–
29 December 2009	From 21 January 2010 to 20 January 2011	From 21 January 2011 to 31 December 2013	HK$1.062	25,703,150	–	(4,518,957)	21,184,193
				49,623,114	(20,771,361)	(7,667,560)	21,184,193
Total				67,960,986	(29,940,297)	(7,667,560)	30,353,129
Exercisable at year end							30,353,129
Weighted average exercise price				1.062	1.062	1.062	1.062

notes:

(i) All outstanding share options were granted on 29 December 2009 and their original initial exercise price is HK$1.07 per share. Upon the completion of an open offer on 28 March 2011 and with effect from 29 March 2011, their exercise price was adjusted to HK$1.062 per share.

(ii) During the year ended 31 December 2012 and 2013, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

Included in the share options held by the employees were 705,302 share options (2012: 705,302 share options) which were granted to an employee of the Company who is the spouse of Mr. Lee.

35. SHARE OPTION SCHEME (continued)

(b) New Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, the New Share Option Scheme with an expiry date on 27 May 2022 was adopted by the Company.

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

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

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

117,060,539 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.

35. SHARE OPTION SCHEME (continued)

(b) New Share Option Scheme (continued)

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

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

Not applicable.

Amount payable on acceptance

HK$1.00

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

35. SHARE OPTION SCHEME (continued)

(b) New Share Option Scheme (continued)

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

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

For the year ended 31 December 2013

				Number of share options			
Date of grant	Vesting date	Exercise period	Exercise price per share	As at 1 January 2013	Exercised during the year	Forfeited during the year (note)	As at 31 December 2013
Directors							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HK$0.49	18,000,000	–	–	18,000,000
Employees (Continuous Contracts)							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HK$0.49	87,450,000	(1,560,000)	(650,000)	85,240,000
29 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HK$0.49	450,000	–	–	450,000
				87,900,000	(1,560,000)	(650,000)	85,690,000
Total				105,900,000	(1,560,000)	(650,000)	103,690,000
Exercisable at year end							103,690,000
Weighted average exercise price				HK$0.49	HK$0.49	HK$0.49	HK$0.49

For the year ended 31 December 2012

				Number of share options		
Date of offer	Vesting date	Exercise period	Exercise price per share	As at 1 January 2012	Granted during the year	As at 31 December 2012
Directors						
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HK$0.49	–	18,000,000	18,000,000
Employees (Continuous Contracts)						
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HK$0.49	–	87,450,000	87,450,000
29 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HK$0.49	–	450,000	450,000
				–	87,900,000	87,900,000
Total				–	105,900,000	105,900,000
Exercisable at year end						105,900,000
Weighted average exercise price				–	HK$0.49	HK$0.49

Note: During the year ended 31 December 2013, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

35. SHARE OPTION SCHEME (continued)

(b) New Share Option Scheme (continued)

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

Included in the share options held by the employees were 1,600,000 share options (2012: 1,600,000 share options) which were granted to an employee of the Company who is the spouse of Mr. Lee.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.44 (2012: nil).

The fair values of the share options granted during the year ended 31 December 2012 were calculated by Vigers at RMB16,819,000 (equivalent to HK$20,642,000) using the Binominal Option Pricing pricing model which is one of the commonly used models for such purpose. 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$0.45
Exercise price	HK$0.49
Expected life	4 years
Expected volatility	73.2%
Dividend yield	0.843%
Risk-free interest rate	0.288%
Fair value per option	HK$0.1869 to HK$0.2138

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 behavioural considerations.

At 31 December 2012, all outstanding share options were fully vested. The Group recognized the total expense of RMB16,819,000 for the year ended 31 December 2012 in relation to share options granted by the Company.

36. CAPITAL AND OTHER COMMITMENTS

	2013 RMB'000	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	207,782	220,681
— property, plant and equipment	133,644	53,542
	341,426	274,223

37. PLEDGE OF ASSETS

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

	2013 RMB'000	2012 RMB'000
Bank deposits	723,349	779,932
Property, plant and equipment	–	20
Investment properties	3,703	3,651
	727,052	783,603

As at 31 December 2013, bills receivables discounted with full recourse amounting to RMB535,595,000 (2012: RMB425,136,000).

38. RETIREMENT BENEFITS PLANS

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

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

The total cost charged to profit or loss of RMB53,550,000 (2012: RMB56,534,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

39. NON-CASH TRANSACTIONS

During the year ended 31 December 2013, deposits paid for acquisition of property, plant and equipment of RMB246,860,000 (2012: deposits paid for acquisition of property, plant and equipment and land use rights of RMB132,809,000) were transferred to property, plant and equipment.

40. OPERATING LEASES

The Group as lessor

Property rental income from investment properties earned during the year was RMB115,000 (2012: RMB206,000). One of the Group's investment properties is held for rental purpose. It is expected to generate rental yields of 5% (2012: 3%) on an ongoing basis. The property held has committed tenants for the next year (2012: next two years).

Machinery and other property rental income significant during both years are disclosed in note 6(b). At 31 December 2013 and 2012, 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:

	2013 RMB'000	2012 RMB'000
Within one year	578	117
In the second to fifth year inclusive	186	68
	764	185

The Group as lessee

Minimum lease payments made under operating leases during the year was RMB42,414,000 (2012: RMB42,735,000).

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:

	2013 RMB'000	2012 RMB'000
Within one year	30,341	32,944
In the second to fifth year inclusive	29,498	60,099
	59,839	93,043

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

41. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2013 RMB'000	2012 RMB'000
SGMW	Sales by the Group (note 5)	**7,474,675**	8,151,598
	Purchases of materials by the Group	**1,946,151**	1,923,957
	Warranty costs incurred by the Group	**25,946**	22,744
Liuzhou Wuling Group	Sales of raw materials and automobile components by the Group	**315,198**	146,021
	Purchase of automobiles components and other accessories by the Group	**86,460**	69,864
	Purchases of mini passenger buses by the Group	**302,295**	159,973
	Purchase of air-conditioning parts and accessories by the Group	**8,843**	3,468
	License fee paid by the Group	**1,300**	3,300
	Rental expenses paid by the Group (see viii below)	**28,198**	29,175
	Provision of water and power supply services by the Group	**1,994**	1,223
	Purchases of electronic devices and components by the Group	**8,223**	3,477
	Interest expenses paid by the Group on		
	— Amount due to a shareholder	**16,636**	4,517
	— Advances drawn on bills receivables (see vii below)	**10,347**	–
	Acquisition of additional interest in a subsidiary (note 47(iii))	**1,792**	–
Qingdao Dianshi	Purchase of automobiles components and other accessories by the Group	**70,689**	–

(ii) Related party balances

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

(iii) Guarantees provided

The guarantees provided to the Group by a director of the Company and by Liuzhou Wuling are set out in note 31(viii).

41. RELATED PARTY DISCLOSURES (continued)

(iv) Compensation of key management personnel

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

	2013 RMB'000	2012 RMB'000
Short-term benefits	6,691	6,429
Post-employment benefits	198	299
Equity-settled share-based payments	–	3,456
	6,889	10,184

(v) Convertible loan notes

Details of the convertible loan notes issued to Wuling HK in 2009 are set out in note 30.

(vi) Disposal of subsidiaries

Details of the disposal of Jenpoint (as defined in note 45) and DHFS (as defined in note 45) to DH Holdings (as defined in note 45), a company wholly owned by Mr. Lee, during the year ended 31 December 2012 were set out in note 45.

(vii) Provision of facility

During the year, Liuzhou Wuling agreed to provide a facility to the Group, whereby the Group could discount, without recourse, its bills receivables to Liuzhou Wuling to the extent of RMB2,000,000,000. The discounting rate was the lower of 90% of market discounting rate or a fixed rate of 3.5%. During the year, the Group discounted bills receivables of RMB1,414,900,000 to Liuzhou Wuling with a maturity period less than 180 days and at an average discount rate of 3.5%.

(viii) Commitments

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

	2013 RMB'000	2012 RMB'000
Within one year	29,498	29,498
In the second to fifth year inclusive	29,498	58,996
	58,996	88,494

42. CAPITAL RISK MANAGEMENT

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

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

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

43. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	6,839,744	7,613,507
Financial liabilities		
Amortized cost	8,123,459	8,822,344
Fair value through profit or loss	–	7,534

(ii) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables discounted with recourse, pledged bank deposits, bank balances, trade and other payables, amounts due to shareholders, bank and other borrowings, derivative financial instrument and convertible loan notes. 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.

The other price risk is considered minimal because the parameters (i.e. share price and volatility) used in determine the fair value of derivative are relatively stable close to the end of the reporting period. Thus there should not be any significant impact to the fair value of derivative and hence no disclosure of other price risk is added.

43. FINANCIAL INSTRUMENTS (continued)

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

(a) Currency risk

The Group mainly operates in the PRC and the exposure in exchange rate risks mainly arises from fluctuations in HKD and Euro against the functional currency of the relevant group entities. Exchange rate fluctuations and market trends have always been the concern of the Group. The Group currently does not enter into any derivative contracts aimed at minimising the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

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	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
HKD	**11,377**	18,353	**218,931**	183,387
Euro	**–**	–	**526**	1,581

Sensitivity analysis

The Group is mainly exposed to HKD and Euro.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against Euro and HKD. 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.

	2013	2012
	RMB'000	RMB'000
Impact on post-tax profit		
— HKD	**8,821**	7,014
— Euro	**22**	67
	8,843	7,081

43. 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 a fixed-rate amounts due to shareholders, bank borrowings and convertible loan notes. The directors of the Company consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as interest bearing bank balances are within short maturity periods. It's the Group's policy to keep its borrowings at a mixture of floating rate and fixed rate of interest so as to 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 interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings.

Sensitivity analysis

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

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease by RMB180,000 (2012: RMB96,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(c) Credit risk

As at 31 December 2013, 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 and financial guarantees provided by the Group 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.

43. 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 24) which represents 67% (2012: 68%) of the total trade and bills receivables as at 31 December 2013. 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 Liuzhou Wuling. 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 Liuzhou Wuling has representation 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 Group is also exposed to concentration of credit risk on the deposits paid for acquisition of land use rights and property, plant and equipment at 31 December 2012. As at 31 December 2012, deposits paid for acquisition of land use rights and property, plant and equipment included an amount of RMB25,200,000 and RMB14,240,000, respectively, paid to an independent third party, whose holding company is a private well known automobile mold manufacturing company in Taiwan, supplying automobile mold to internationally well known customers in automobile industry. Furthermore, the acquisition was completed in February 2013 and such deposits were classified to land use rights and the appropriate category of property, plant and equipment during the year. In this regard, the directors of the Company believe that the Group's exposure is significantly reduced.

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 from a shareholder and also bank borrowings as significant sources of liquidity.

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 HK$272 million as at 31 December 2013. 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 borrowing facilities of approximately RMB167 million, issuance of convertible notes as disclosed in note 48, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

43. FINANCIAL INSTRUMENTS (continued)

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

(d) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2013								
Non-derivative financial liabilities								
Trade and other payables	–	5,075,019	1,448,695	–	–	–	6,523,714	6,523,714
Amounts due to shareholders								
— fixed rate	3.40	80,211	–	–	441,540	–	521,751	497,580
— non-interest bearing	–	169,298	–	–	28,789	–	198,087	198,087
Bank borrowings								
— fixed rate	5.65	–	52,085	205,013	–	–	257,098	247,526
— variable rate	2.31	43,288	–	–	–	–	43,288	43,205
Convertible loan notes	6.00	83,644	–	–	–	–	83,644	83,228
Other borrowings								
— Advances drawn on bills receivables discounted with recourse	5.89	165,221	370,907	–	–	–	536,128	530,119
		5,616,681	1,871,687	205,013	470,329	–	8,163,710	8,123,459

43. FINANCIAL INSTRUMENTS (continued)

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

(d) Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
2012								
Non-derivative financial liabilities								
Trade and other payables	–	4,793,256	2,295,552	–	–	–	7,088,808	7,088,808
Amounts due to shareholders								
— fixed rate	5.50	–	–	–	89,092	–	89,092	82,996
— non-interest bearing	–	170,962	–	–	443,327	–	614,289	614,289
Bank borrowings								
— fixed rate	5.51	2,335	164,932	361,654	1,102	–	530,023	508,580
— variable rate	3.42	15,518	7,962	–	–	–	23,480	22,941
Convertible loan notes	6.00	4,889	–	–	86,375	–	91,264	81,869
Other borrowings								
— Advances drawn on bills receivables discounted with recourse	4.19	222,902	202,234	–	–	–	425,136	422,861
		5,209,862	2,670,680	361,654	619,896	–	8,862,092	8,822,344

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 2013, the aggregate undiscounted principal amounts of these bank loans amounted to RMB973,000 (2012: RMB1,064,000). Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank borrowings would be repaid 2 to 5 years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to RMB1,222,000 (2012: RMB1,357,000).

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.

43. FINANCIAL INSTRUMENTS (continued)

(iii) Fair value measurements of financial instruments

Some of the Group's financial liability is measured at fair value at the end of the reporting period. The following table gives information about how the fair value of this financial liability is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3 as set out in note 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

	Fair value as at 31 December		Fair value hierarchy
	2013 RMB'000	2012 RMB'000	
Financial liability			
Conversion option embedded in CN 2014	–	7,534	Level 3

note: The valuation technique adopted for the above instrument is set out in note 30.

Reconciliation of Level 3 Measurements

The reconciliation of Level 3 measurements of the Group's financial instruments for the year ended 31 December 2013 is set out in note 30.

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.

44. ACQUISITION OF A SUBSIDIARY

On 31 March 2012, the Group acquired 75% equity interest in Jilin Chuofeng (the "Acquisition") which is principally engaged in the manufacture of combustion engines, for expansion of the Group's engines and related parts business in the northern region of the PRC, for the consideration of RMB26,450,000.

Details of the consideration transferred, assets acquired and liabilities assumed relating to the Acquisition were set out below.

	notes	RMB'000
Consideration transferred		
Cash		23,000
Deferred consideration	(i)	3,450
Total consideration		26,450
Assets and liabilities recognized at the date of acquisition		
Current assets		
Inventories		34,374
Trade and other receivables	(ii)	30,416
Pledged bank deposits		8,925
Bank balances and cash		4,928
Non-current assets		
Property, plant and equipment		28,235
Prepaid lease payments		22,605
Current liabilities		
Trade and other payables		(70,714)
Bank borrowings		(23,000)
Non-current liabilities		
Deferred tax liabilities		(7,505)
		28,264
Non-controlling interest	(iii)	(7,066)
		21,198
Goodwill arising on acquisition	(iv)	5,252
Net cash outflow arising on acquisition		
Consideration paid in cash		23,000
Less: cash and cash equivalents acquired		(4,928)
		18,072

44. ACQUISITION OF A SUBSIDIARY (continued)

notes:

(i) The consideration was settled by the Group in July 2013.

(ii) The receivable acquired (which principally comprised trade receivables) with a fair value of RMB30,416,000 at the date of acquisition had gross contractual amounts of RMB30,416,000.

(iii) The non-controlling interests (25%) in Jilin Chuofeng recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Jilin Chuofeng.

(iv) Goodwill arose on the acquisition of Jilin Chuofeng because the acquisition included the assembled workforce of Jilin Chuofeng and prospective new customers as at the date of acquisition. These assets could not be separately recognized from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

No part of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

(v) Acquisition-related costs of RMB108,000 were excluded from the cost of acquisition and were recognized directly as an expense for the year ended 31 December 2012.

(vi) Included in the profit for the year ended 31 December 2012 was a loss of RMB18,000 attributable to Jilin Chuofeng. Revenue of the Group for the year ended 31 December 2012 included RMB116,770,000 attributable to Jilin Chuofeng.

Had the acquisition of Jilin Chuofeng been completed on 1 January 2012, the Group's total revenue and profit for the year ended 31 December 2012 would have been RMB11,865,190,000 and RMB96,144,000, respectively. The pro-forma information was for illustrative purposes only and was not necessarily an indication of the Group's revenue and results of operations that actually would have been achieved had the acquisition been completed on 1 January 2012, nor was it intended to be a projection of future results.

In determining the above "pro-forma" revenue and profit of the Group, the directors calculated depreciation and amortization of plant and equipment based on the recognized amounts of plant and equipment at the date of the acquisition.

45. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2013

During the year ended 31 December 2013, the Group disposed of a group of inactive subsidiaries with a minimal carrying amount to an independent third party at a consideration of HK$8 (equivalent to RMB6). Loss of RMB31,000 was recognized in profit or loss which solely represent the cost of disposal.

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

For the year ended 31 December 2012

During the year ended 31 December 2012, the Group entered into an agreement with Dragon Hill Holdings Limited ("DH Holdings") to dispose of its 100% equity interest in Jenpoint Limited ("Jenpoint") and Dragon Hill Financial Services Holdings Limited ("DHFS"), which are principally engaged in property investment, for a cash consideration of HK$6,000,000 (equivalent to RMB4,890,000). DH Holdings is a company wholly owned by Mr. Lee.

The disposal was completed on 28 May 2012, on which date the Group lost control over DHFS and Jenpoint.

The net assets of Jenpoint and DHFS at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Investment properties	26,411
Property, plant and equipment	1,326
Other receivables	95
Bank balances and cash	15
Bank borrowings	(24,266)
Other payables and accruals	(122)
Deferred tax liabilities	(32)
	3,427
Reclassification of cumulative exchange reserve upon disposal to profit or loss	(247)
	3,180
Gain on disposal	1,710
Total consideration	4,890
Net cash inflow arising on disposal:	
Total cash consideration received	4,890
Bank balances and cash disposed of	(15)
	4,875

The subsidiaries disposed of during the year ended 31 December 2012 did not contribute significantly to the results and cash flows of the Group during the period prior to the disposal.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2013 and 2012 are as follows:

	note	2013 RMB'000	2012 RMB'000
TOTAL ASSETS			
Property, plant and equipment		260	342
Unlisted investments in subsidiaries		494,820	494,820
Prepayments and deposits		1,341	677
Amounts due from subsidiaries		–	3
Cash and cash equivalents		18,574	17,384
		514,995	513,226
TOTAL LIABILITIES			
Other payables and accruals		6,711	2,607
Amounts due to subsidiaries		44,569	69,161
Amounts due to shareholders		79,986	82,996
Derivative financial instrument		–	7,534
Convertible loan notes		83,228	81,869
Bank borrowings		30,728	11,947
		245,222	256,114
NET ASSETS		269,773	257,112
CAPITAL AND RESERVES			
Share capital		4,529	4,524
Reserves	(i)	265,244	252,588
TOTAL EQUITY		269,773	257,112

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 2012	–	94,381	23,746	50,284	168,411
Profit and total comprehensive income for the year	–	–	–	72,129	72,129
Recognition of equity settled share-based payments	–	–	16,819	–	16,819
Forfeit/lapse of share options	–	–	(12,234)	12,234	–
Dividend recognized as distribution	–	–	–	(4,771)	(4,771)
At 31 December 2012	–	94,381	28,331	129,876	252,588
Profit and total comprehensive income for the year	–	–	–	16,768	16,768
Exercise of share options	830	–	(233)	–	597
Forfeit/lapse of share options	–	–	(10,500)	10,500	–
Dividend recognized as distribution	–	–	–	(4,709)	(4,709)
At 31 December 2013	830	94,381	17,598	152,435	265,244

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.

47. PRINCIPAL SUBSIDIARIES

(i) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2013 and 2012 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 2013 Direct %	Interest holdings 2013 Indirect %	Interest holdings 2012 Direct %	Interest holdings 2012 Indirect %	Principal activities
Wuling Industrial	N/A	The PRC 30 October 2006 (note iii)	RMB960,000,000	50.98 (note i)	–	50.98 (note i)	–	Investment holding, manufacture and sale of automobile components and spare parts, specialized vehicles and other industrial services
柳州五菱柳機動力有限公司 Liuzhou Wuling Liuji Motors Company Limited	N/A	The PRC 16 June 1993 (note iii)	RMB100,120,000	–	50.98 (note ii)	–	50.98 (note ii)	Manufacture and sale of petrol engines and motor cycles engines
柳州五菱汽車聯合發展有限公司 Liuzhou Wuling Motors United Development Company Limited ("Wuling United")	N/A	The PRC 25 December 2001 (note iii)	RMB100,000,000	–	50.98 (note ii)	–	50.97 (note ii)	Manufacture and sale of automobiles spare parts
柳州五菱專用汽車製造有限公司 Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles")	N/A	The PRC 10 December 2003 (note iii)	RMB15,000,000	–	50.98 (note ii)	–	49.98 (note ii)	Manufacture and sale of special vehicles
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	–	26 (note ii)	–	26 (note ii)	Manufacture and sale of accessories of motor vehicles
泰興市菱迪機械有限公司	N/A	The PRC 28 March 2004 (note iii)	RMB3,000,000	–	26 (note ii)	–	26 (note ii)	Manufacture and sale of engines
柳州長鵬汽車零部件有限公司	N/A	The PRC 27 June 2012 (note iii)	RMB15,000,000	–	26 (note ii)	–	26 (note ii)	Manufacture and sale of accessories of motor vehicles
吉林綽豐柳機內燃機有限公司	N/A	The PRC 31 March 2012 (note iii)	RMB38,000,000	–	38.24 (note ii)	–	38.24 (note ii)	Manufacture and sale of combustion engines

47. PRINCIPAL SUBSIDIARIES (continued)

(i) General information of subsidiaries (continued)

Name of subsidiary	Class of shares held	Place and date of establishment/ incorporations	Nominal value of issued capital/ registered capital/ fully paid capital	Interest holdings				Principal activities
				2013		2012		
				Direct %	Indirect %	Direct %	Indirect %	
柳州卓通汽車零部件有限公司 (note iv)	N/A	The PRC 21 November 2013 (note iii)	RMB10,000,000	–	26 (note ii)	–	–	Manufacture and sale of accessories of motor vehicles
Watary Investments Limited	Ordinary	British Virgin Islands/ Hong Kong	US$36,000	100	–	100	–	Investment holding
Dragon Hill (HK) Limited	Ordinary	Hong Kong	HKD10	–	100	–	100	Trading of marketable securities
DH Corporate Services Limited	Ordinary	Hong Kong	HKD2	–	100	–	100	Provision of administrative services

notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and Liuzhou Wuling 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 2013 of the Company and Liuzhou Wuling in Wuling Industrial were 50.98% and 49.02%, respectively (2012: 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) The subsidiary is established during the year.

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

(vi) 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.

47. PRINCIPAL SUBSIDIARIES (continued)

(i) General information of subsidiaries (continued)

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

Principal activities	Principal place of business	Number of subsidiaries	
		2013	2012
Manufacture and sale of engine	PRC	1	1
Manufacture and sale of special vehicles	PRC	1	1
Inactive	Hong Kong	3	5

(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	
		2013	2012	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Wuling Industrial	PRC	49.02	49.02	54,158	57,101	742,984	708,847

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.

47. PRINCIPAL SUBSIDIARIES (continued)

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

Wuling Industrial

	2013 RMB'000	2012 RMB'000
Current assets	**8,068,154**	8,914,652
Non-current assets	**2,086,635**	1,747,811
Current liabilities	**8,139,055**	8,746,123
Non-current liabilities	**474,590**	453,179
Equity attributable to owners of Wuling Industrial	**772,691**	737,189
Equity attributable to the non-controlling interests	**742,984**	708,847

	Year ended 31.12.2013 RMB'000	Year ended 31.12.2012 RMB'000
Revenue	**12,037,209**	11,855,919
Expenses	**11,923,326**	11,731,104
Profit and total comprehensive income for the year	**113,883**	124,815
Profit and total comprehensive income attributable to the non-controlling interests	**54,158**	57,101
Dividends paid to non-controlling interests	**17,093**	56,944
Net cash inflow from operating activities	**451,806**	1,145,447
Net cash outflow to investing activities	**(381,691)**	(674,995)
Net cash outflow to financing activities	**(244,030)**	(837,453)
Net cash outflow	**(173,915)**	(367,001)

(iii) Change in ownership interest in a subsidiary

On 23 January 2013, the Group acquired an additional 2% equity interest in Wuling Specialized Vehicles from Liuzhou Wuling at a consideration of RMB1,792,000. Details of the acquisition were disclosed in the Company's announcement dated 23 January 2013.

48. EVENT AFTER THE END OF THE REPORTING PERIOD

On 28 January 2014, the Group issued convertible notes in an aggregate principal amount of HK$200,000,000 at par (equivalent to approximately RMB157,580,000) to Wuling HK ("CN 2017"). CN 2017 is denominated in HKD and carries interest at 4.25% per annum with maturity on 28 January 2017. CN 2017 entitles the holder to convert, in whole or in part, the principal sum into ordinary shares of the Company on any business days commencing from 28 January 2014 up to and including the date falling on the fifth business day prior to 28 January 2017 at a conversion price of HK$0.58 per ordinary share, subject to anti-dilutive adjustments. The directors of the Company are in the process of assessing the financial impact on the issuance of CN 2017. Details of this transaction are disclosed in an announcement issued by the Company on 28 January 2014.

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

Audit Committee

Mr. Ye Xiang *(Chairman)*
Mr. Yu Xiumin
Mr. Zuo Duofu

Remuneration Committee

Mr. Zuo Duofu *(Chairman)*
Mr. Yu Xiumin
Mr. Ye Xiang

Nomination Committee

Mr. Yu Xiumin *(Chairman)*
Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Sun Shaoli
Mr. Lee Shing

Company Secretary

Mr. Lai Shi Hong Edward

Principal Bankers

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

Auditors

Deloitte Touche Tohmatsu

Solicitor

Sidley Austin

Head Office and Principal Place of Business in Hong Kong

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Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Share Registrar and Transfer Agent

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Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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