WULING MOTORS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

HKEx Stock Code: 305

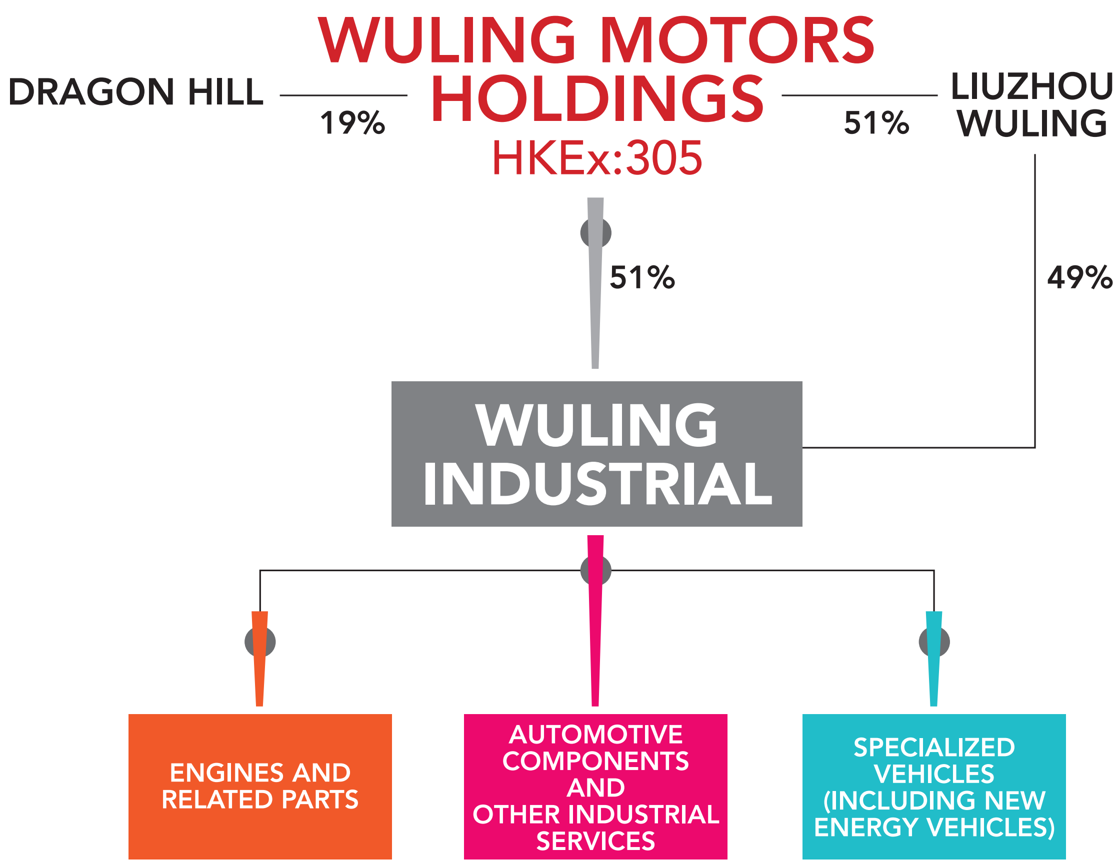
ANNUAL REPORT

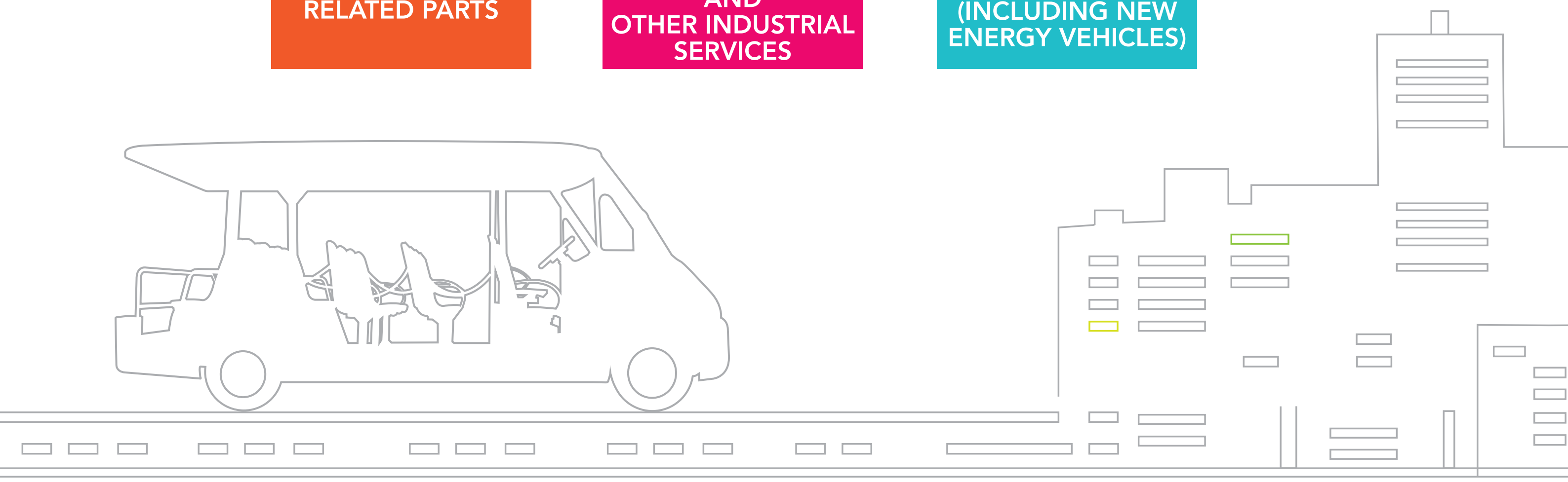
2014

CORPORATE PROFILE

Wuling Motors Holdings Limited ("Wuling Motors Holdings" or the "Company") and its subsidiaries (collectively referred to as the "Wuling Group" or the "Group") are principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles in China. Our Group's corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China. 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





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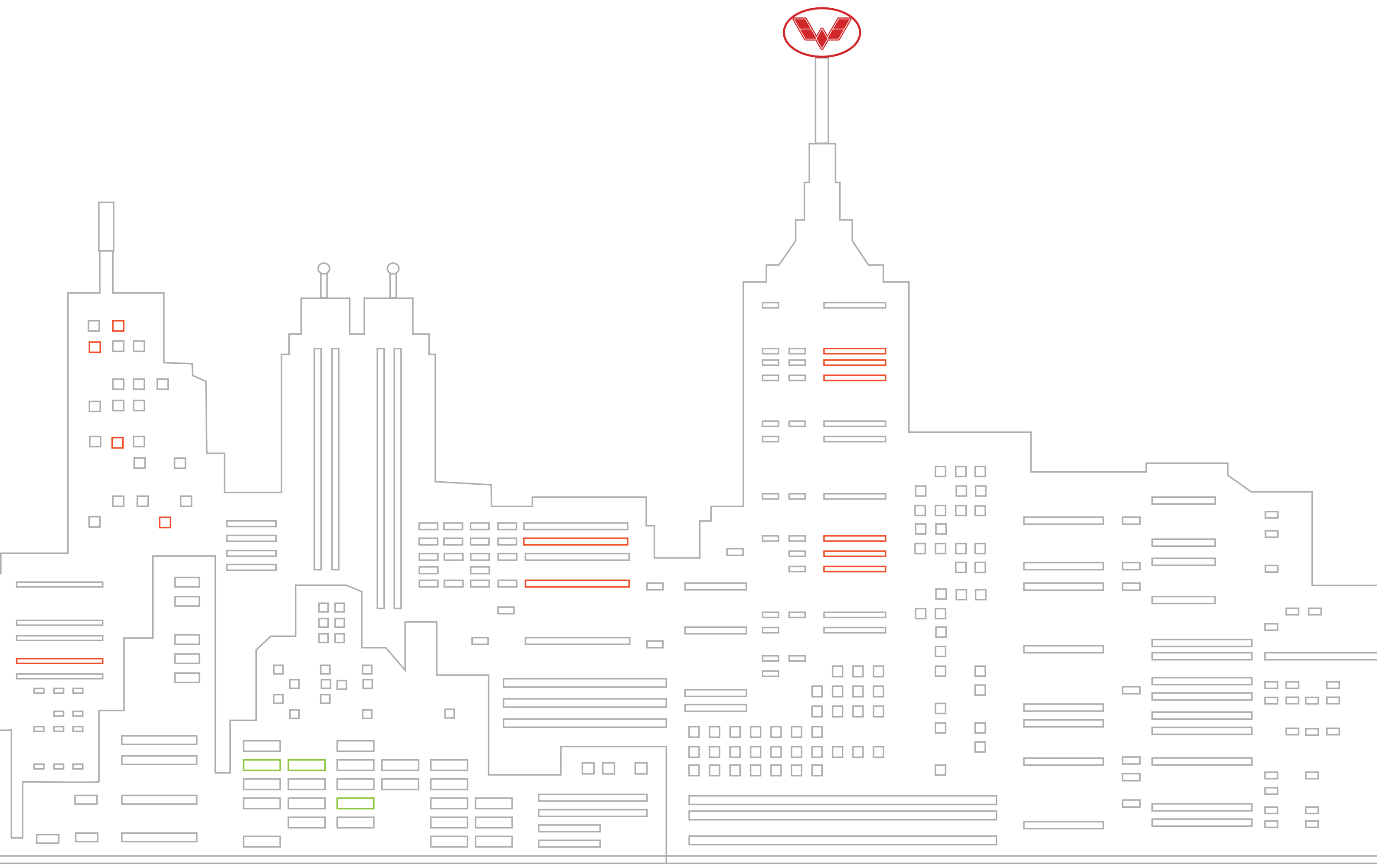


Pursuing Growth Amid Stability
Optimizing Business Structure
Promoting Sustainable Development

Preface

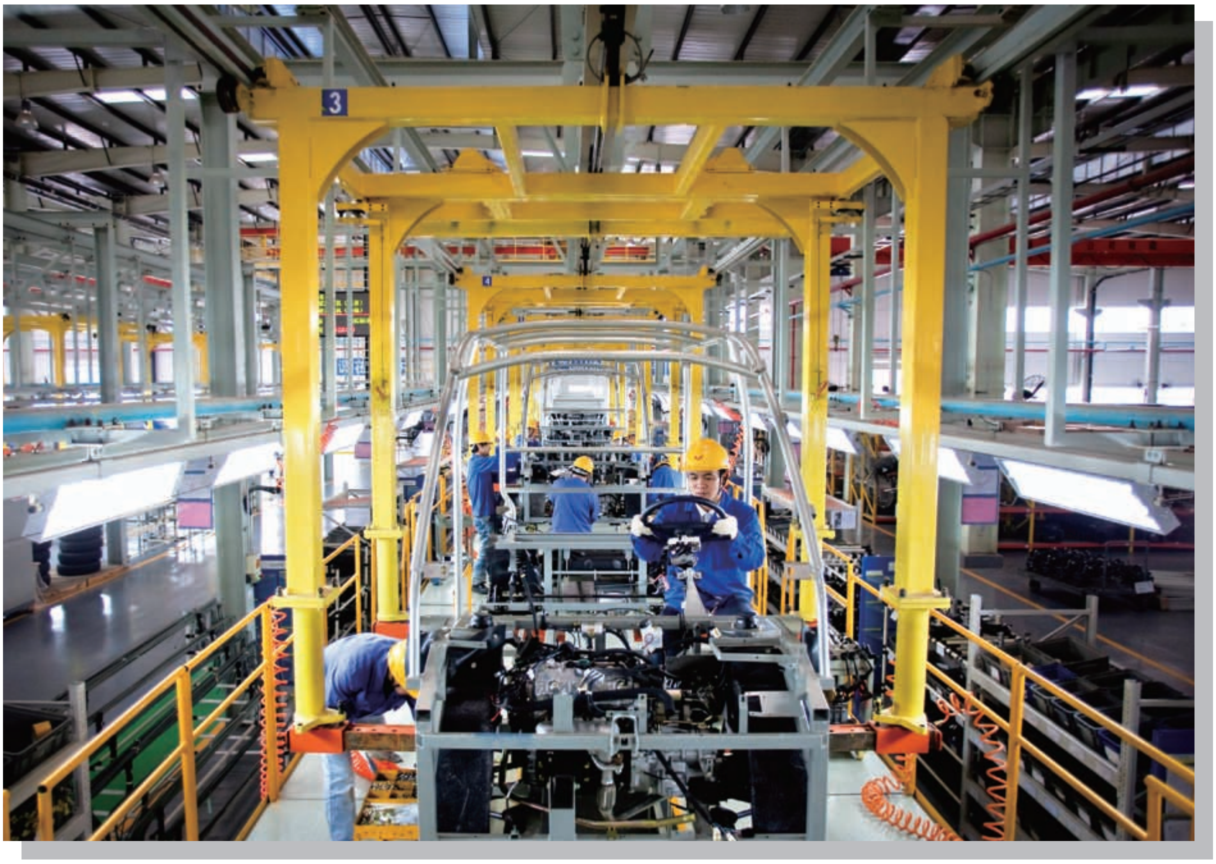
2014 was a year full of opportunities and challenges for automobile industry in China. As China's economy entered the new normal, competitions in the industry continued to intensify. Adhering to its operating policies of "Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable Development", Wuling Motors Holdings Limited managed to enhance quality and efficiency, continued to adjust its enterprise structure and promoted business transformation, successfully identifying new goals for strategic development without compromising the long-standing scale of operation and healthy growth. In 2014, the Group recorded a turnover of RMB12,138,662,000, net profit of RMB108,417,000 and profits attributable to the owners of the Group of RMB49,443,000, effectively a testament to the enhancement of its corporate competitiveness.

Review of Major Achievements in 2014

In 2014, the Group continued to optimize its business structure and actively pursued cost control and efficiency enhancement, achieving better operation quality as a result . In addition, new products were unremittingly developed to cater the market. Meanwhile, the Group's keenness on project establishment and its solid foundation of ancilliary facilities provided strong momentum for its corporate development. The Group also reinforced operation management and took further precautionary measures to steadily push through a strategic transformation process, culminating business growth amid stability. For the year under review, the Group recorded the following major achievements:

For engine business, Wuling Liuji has been developing new products and introduced corresponding measures to capitalize on new development opportunities. NP 18, currently the Group's first engine with self-created intelligence property for commercial passenger vehicles , was successfully installed into our major customer's first Baojun 730 MPV in the second half 2014, demonstrating our foothold in the passenger vehicles sector. On the other hand, in the second half of 2014, the Group ,in the capacity of an exclusive supplier, recorded for the first time a wholesale volume of 70 units of LJ465QR1NE2 engines, the foundation of Wuling Liuji's range extenders, to be installed in GAC Trumpchi GA5 hybrid power automobiles. V6 engine, a high capacity and high power engine to be installed in medium-sized passenger vehicles, MPV and SUV, is at testing stage, marking a substantial progress of the project.

For component business, Wuling Motors took the initiative to adjust the product structure of its component business in response to the modification of product structure by the major customers and widened the business scope of supplying components to the passenger vehicle market. In 2014, automotive components and other industrial services division recorded a turnover of RMB7,418,056,000, representing a year-on-year growth of 11.4%.



For component business for the commercial-type vehicles, the Group continued to maintain its competitive edge through acting as the exclusive supplier of various products of Wuling Hongguang, including model S rear structure of vehicle body, instrument panels and front axles. Meanwhile, installation ratio of front and back mufflers also increased to 50%. Moreover, the Group achieved bulk provision of basic model seats for Wuling Hongguang's vehicle models, rear axles for Beiqi Yinxiang SUV and other component products for Baojun 730 series. Through the establishment of production lines for electrophoresis, recognised as one of the most sophisticated processes for producing automotive components in Guangxi, and the in-house manufacturing capabilities of foam cores for seats, the Group had effectively enhanced its core competitiveness in the seat products segment.

In developing components for passenger vehicles, the Group's effort in innovating technology standards and reforming technical standards enabled the introduction of highly competitive core products for the passenger vehicle market, such as the torsion beam rear suspension (後扭梁). Successful application of our components in the production of our major customer's Baojun 730 MPV signified a new era of Wuling Motors in developing the component business for the passenger vehicle market. This sensational breakthrough is of great significance to Wuling Motors in further expanding its component products for the passenger vehicles in the future.

For car assembly business, the Group adopted a market segmentation strategy to cater for market needs. Focus was put on developing pioneer products such as school buses and other buses running on new energy which are in compliance with the new regulations. Meanwhile, the Group also explored the production of special-purpose redecorated vehicles (特種改裝車) of high-added values and expedited the research and development of various self-developed models of passenger vehicles, electric vehicles, refrigerator vehicles and sanitation vehicles. The Rongguang 1.5L single-row low-temperature refrigerator vehicles (1.5L 榮光單排低溫冷藏車) launched in the second half of 2013 won favour from the customers. In 2014, this model alone recorded a sales volume of 433 units, representing an increase of 181% over the total sales volume for the previous year. Going forward, the Group will keep on enriching the refrigerator vehicle series according to the specific needs of the customers so as to enhance the competitiveness of its refrigerator vehicles.

Sales team of the car assembly division actively applied innovation to its marketing model for school buses, with establishment of sales channels being the main theme while direct sales being the auxiliary objective, effectively expanding sales volume of school buses. Currently, the Group has 31 distributors for school buses in various provinces, including Henan, Shandong, Shaanxi and Hunan. After the comprehensive optimization and upgrading of our passenger vehicle products, sales volume achieved breakthrough in August 2014. The monthly sales volume of passenger vehicles (below 6 metres) hit new highs for two consecutive months, selling over 600 units each month. In September 2014, the Group received order for 52 LNG dual-fuel buses, the largest single order ever undertaken. As at November 2014, the Group's non-road vehicle business recorded for the first time a sales volume exceeding 2,000 units, thereby laying a strong foundation for car assembly business to accomplish our annual target. In addition, the fleet of 30 fourth generation police vehicles launched by Wuling Motors made its gallant appearance in two international events, namely the 11th China-ASEAN Exposition and the 45th World Artistic Gymnastics Championships. Meanwhile, development of garbage trucks with detachable dumpsters and sprinkler trucks in response to the "Cleaning Rural Areas for Beauty of Guangxi (美麗廣西•清潔鄉村)" campaign has completed and the vehicles have been officially launched in the market.

For upgrading and further expansion on the Group basis, with a view to keeping pace with the development of customers and shifting its focus to high value-added products, the Group is proceeding with various projects in terms of equity, capital and R&D of new products in a proactive and orderly fashion. The Group will make aggressive investment in expanding infrastructure construction to diversify its operations, procure sustainable development and boost momentum for its long term development. Significant investment projects commenced in recent years have either been completed or still under active development. Among these projects, the factory in the zone 3 of Hexi Industrial Park in Liuzhou for manufacturing braking systems was completed and commenced operation. As of now, plants and production lines for welding, seats, plastic accessories and brake modules have all been delivered and production commenced. Welding site of the passenger vehicle component production facilities at Liudong has also started operation at the end of 2014 to meet customers' needs in a timely manner, providing a solid foundation for the Group to diversify into the passenger vehicle component segment. Assembling unit and repairing unit in Phase 2 of the automobile component facilities in Qingdao have been delivered for use, further enhancing the competitive edge of our business in Qingdao. In addition, our technical centre is undergoing a test capability enhancement project to develop new products and improve technologies. Certain equipment has already been delivered and construction of infrastructure and public utilities is near completion. The enhancement project provides the Group a solid base to establish a technical centre meeting national standards. To cope with business development strategy of customers, the Group has acquired an industrial site in Chongqing for building Wuling Motors' production facilities in Chongqing. Such development marked the Group's strategic move in expanding its component business to the Southwest China market.

To enhance the quality of management and operation efficiency, the Group has actively initiated various cost reduction measures, such as reducing distressed receivables, defective inventories and purchasing costs and applying strict control on the growth of labor costs. Through effective measures including application of automation technology, three way collaboration (i.e. production — study — research) between educational institutions and enterprises (such as the strategic cooperation with Wuhan University of Technology), implementation of efficiency improvement project and adoption of the "three decide" staffing plan (i.e. fixed organization, fixed function and fixed headcount), our operating costs have been reduced and competitiveness enhanced.

Strategy and Prospect

We are optimistic about the future development of the automobile sector. With the efforts made during "the 12th Five Year Plan" period, the Group has achieved preliminary success in its strategic transformation. Liuzhou Wuling, our ultimate controlling shareholder, is formulating strategies for its next development stage during "the 13th Five Year Plan" period and specifying positioning and responsibility division for each member company. The Group will keep pace with Liuzhou Wuling's development and create reasonable returns to our shareholders.

In the ensuing year, the Group will aim at expanding and securing our market by shifting to a more market-oriented operating mechanism under an updated regulatory system for enterprises; strengthening its research and development capabilities of new products to optimize its core products and enhance its core competitive strengths; collaborating with other enterprises, both at home and abroad, to procure quality enhancement and innovative development for our component business; and actively cultivating talents for emerging businesses to pursue project establishment. We will commit to proceeding with major technology enhancement projects and equity investment projects that may contribute to the sustainable development of the Group.

Wuling Industrial is the most important operating entity of the Group. As the controlling shareholder of Wuling Industrial, the Group will implement appropriate financing strategies in a timely manner to provide funding for the development of Wuling Industrial, including utilizing the fund raising platform of Wuling Motors as a listed company. 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 ongoing support from Liuzhou Wuling, our ultimate controlling shareholder, customers and business partners, we are confident that Wuling Motors will experience robust growth and lead us to a brighter and more prosperous future. We will make every endeavor to bring promising returns for our shareholders and investors.

WEI Hongwen
Chairman
27 March 2015

REPORT OF THE CEO

Identify Operation Targets
Optimize Management Structure
Enhance Product Structure

Results and Performances

I am pleased to present the audited results of Wuling Motors Holdings Limited for the year ended 31 December 2014.

Supported by the continuous growth in the local economy and increasing demands from the general public, the automobile industry in China maintained its momentum of growth for the year of 2014. Total number of motor vehicles sold in China increased steadily by 6.9% as compared to previous year and reached 23.5 million units.

After an erratic stage of growth in recent years, where the respective annual consumption of motor vehicles were significantly affected by the corresponding economic environment and government policies, the automobile industry had entered into a more healthy stage, in which the demands were more driven by the composed reasons of the consumers. On the back of a relatively lukewarm economic outlook, we believe the demands originated from replacements, model upgrades and increases in household income were the main composed reasons of the consumers for making car purchases and consider such market fundamentals would be more conducive to the sustainable growth of the automobile industry in China. In line with this solid market condition, during the year of 2014, the Group recorded total revenue of RMB12,138,662,000, representing a consecutive moderate increase of 0.8% as compared to previous year.

Gross profit for the year under review was RMB1,373,721,000, representing an increase of 9.1%. Increases in revenue and gradual improvement in the operations of the new facilities of automotive components and the foundry facilities of the engines division benefited the margin performance of the Group, in spite of the adverse effects from a slowdown in business of the specialized vehicles division and a decline in the sale volume of the engines division during the year.

Net profit of the Group for the year was RMB108,417,000, representing an increase of approximately 2.2% as compared to previous year. The increase had already accounted for the adverse effects from the losses and expenses incurred in the relocation of certain production facilities and the consolidation programme took place during the year. Profits attributable to the owners of the Company was RMB49,443,000, representing a decrease of 2.1%. Apart from the above adverse factors, the decrease was also substantially attributable to the positive impact of the tax refund arising from the withholding tax rate reduction as reported in previous year and the fair value adjustments of the convertible notes issued by the Company in which a loss of RMB1,282,000 was recorded for the year as compared to a gain of RMB7,534,000 recorded in previous year. The convertible loan notes which were issued to Wuling HK, our controlling shareholder, in January 2014 were fully exercised in May 2014 at a conversion price of HK$0.58 per ordinary share of the Company, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK. The conversion demonstrated the long term commitment of Wuling HK in the Company, whereas, the issue of these new ordinary shares also helped to further strengthen the capital base of the Company.

Opportunities and Challenges

The economic environment in China continued to experience certain structural and economic adjustments during the year of 2014. Nevertheless, the economy showed sign of stabilizing on the back of appropriate government measures and a recovery of market demands in certain sectors had eventually favored the continuous economic growth in China. This relatively favorable market condition benefited the performance of the automobile industry in China and 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 2014 where total number of motor vehicles sold in China increased steadily by 6.9% as compared to previous year and reached 23.5 million vehicles. Such increase was mainly attributable to the growth in the segment of passenger vehicles, which comprised primarily sedans, MPVs, SUVs and mini-vehicles. Amongst which, the MPVs and SUVs continued to be the most impressive growth segments.

In response to the specific business environment and the strategy of our key customer, the Group had initiated certain strategic changes in our business operations. In particular for our automotive components division, our business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini-vehicles and the MPVs segments. The remarkable segmental performances of the automotive components division during the year, in terms of the growth in revenue and operations, demonstrated the importance and effectiveness of this business strategy in fostering the business potential of the Group.

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

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

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

a. Technical re-engineering projects such as the specialization 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 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, including the development of the new energy vehicles, 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

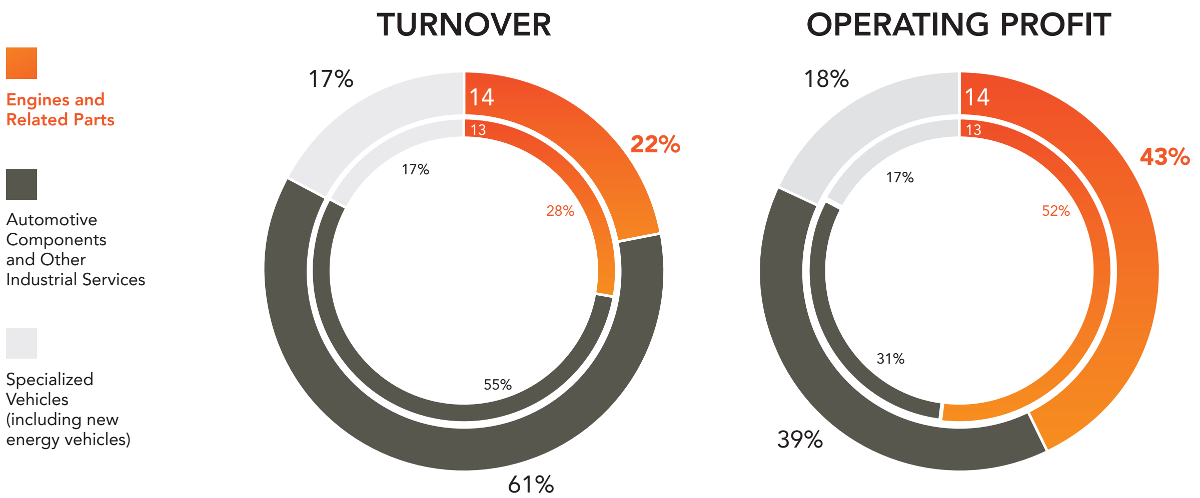
The Group envisages business environment in China to be highly competitive and challenging in the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market 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 ultimate controlling shareholder and joint venture partner, and our customers, we firmly believe the business prospect of the Group is promising and will bring rewards to our shareholders.

Lee Shing
Vice Chairman & Chief Executive Officer
27 March 2015

Main Business Segment –

ENGINES AND RELATED PARTS



ENGINES AND RELATED PARTS

Turnover (based on external sales) of the engines and related parts division for the year ended 31 December 2014 was RMB2,666,249,000, representing a decrease of 20.8% as compared to previous year. Operating profits for the year was RMB122,164,000, representing a slight decrease of 2.6% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year 2014 was approximately 490,000 units, representing a decrease of 19.7% as compared to previous year.

During this year, sales to SAIC-GM-Wuling Automobile Co., Limited ("SGMW"), our main customer, was reduced by 12% to approximately RMB1,789,259,000, 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. Such reduction was partly compensated by the contribution from other customers' sales and additional revenue generated from the sales of the new products other than the engine sets.

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 amounted to approximately RMB876,990,000 for the year 2014, representing approximately 32.9% of the total revenue of this division.

Operating margin improved to 4.6% as compared to 3.7% for previous year. During this year, gradual improvement of the operations of the foundry facilities to become profitable since the commencement of scale operation in 2014 benefited the margin performance of the division despite the tough business environment with declining orders for the engine sets. Besides, launch of new models with higher selling prices and profit margin also resulted in an improvement in profitability of the division.

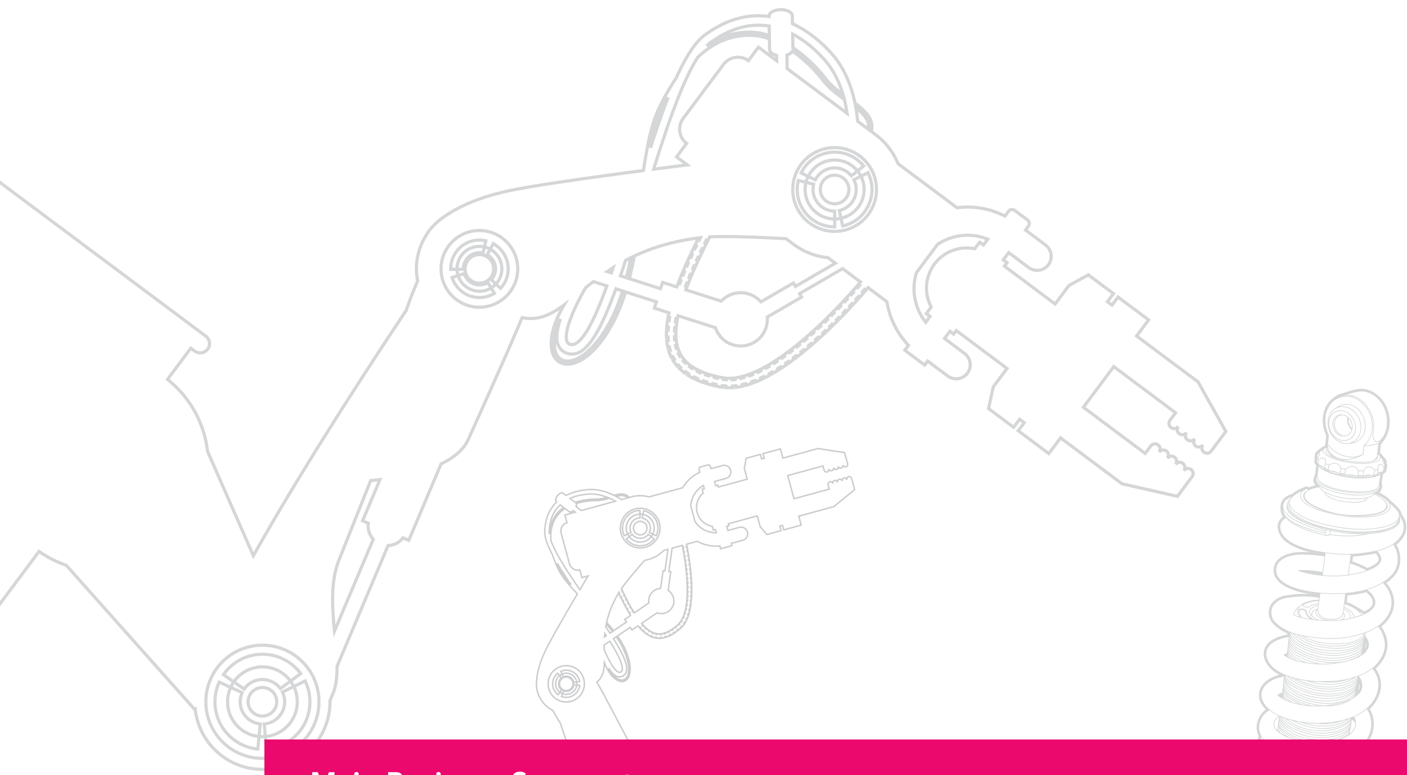
For further integration of operations within the division, during the year, Wuling Liuji decided to terminate the operation of the non-wholly owned subsidiary in Jilin. Owing to this, impairment of losses of approximately RMB16,702,000 were made on goodwill and certain fixed assets. It is expected that cessation of the operation of this non-wholly owned subsidiary will not have any material impact to the operations of the engines and parts division as the potential orders will be taken up by other subsidiaries within this division.

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

The engines currently produced by Wuling Liuji are mainly for the economical-typed mini-vehicles which have been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, Wuling Liuji has actively undertaken development projects, either in house or in co-operation with other business partners, for the production of the upgraded engine products in serving the different needs of the customers. During this year, Wuling Liuji has successfully launched its first engine product for the passenger vehicles, in which mass production orders from the main customer has commenced in November 2014. Meanwhile, through the formation of a joint venture company with a technical partner, Wuling Liuji is also developing our owned proprietary V6 cylinder engine products. The successful development of this product will significantly enhance our products range and capability in the industry.

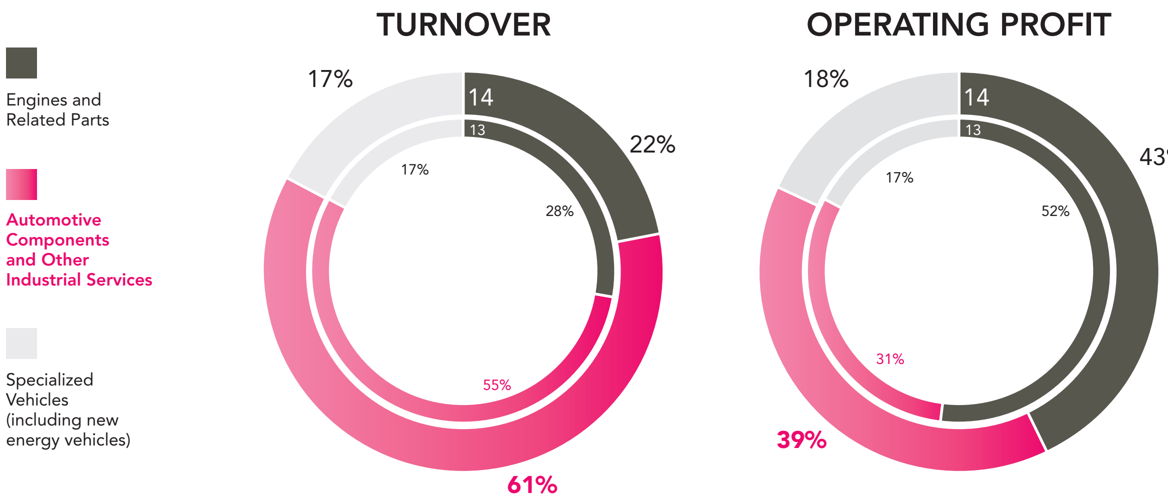
Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, so as to maintain its competitiveness in this market segment. The Group believes the successful launch of new products will enhance the business potential 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 the launches of new products will be beneficial to the performance of the division as well as to place the Group in a better position in facing with the current keen competitive market situation.



Main Business Segment –

AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES

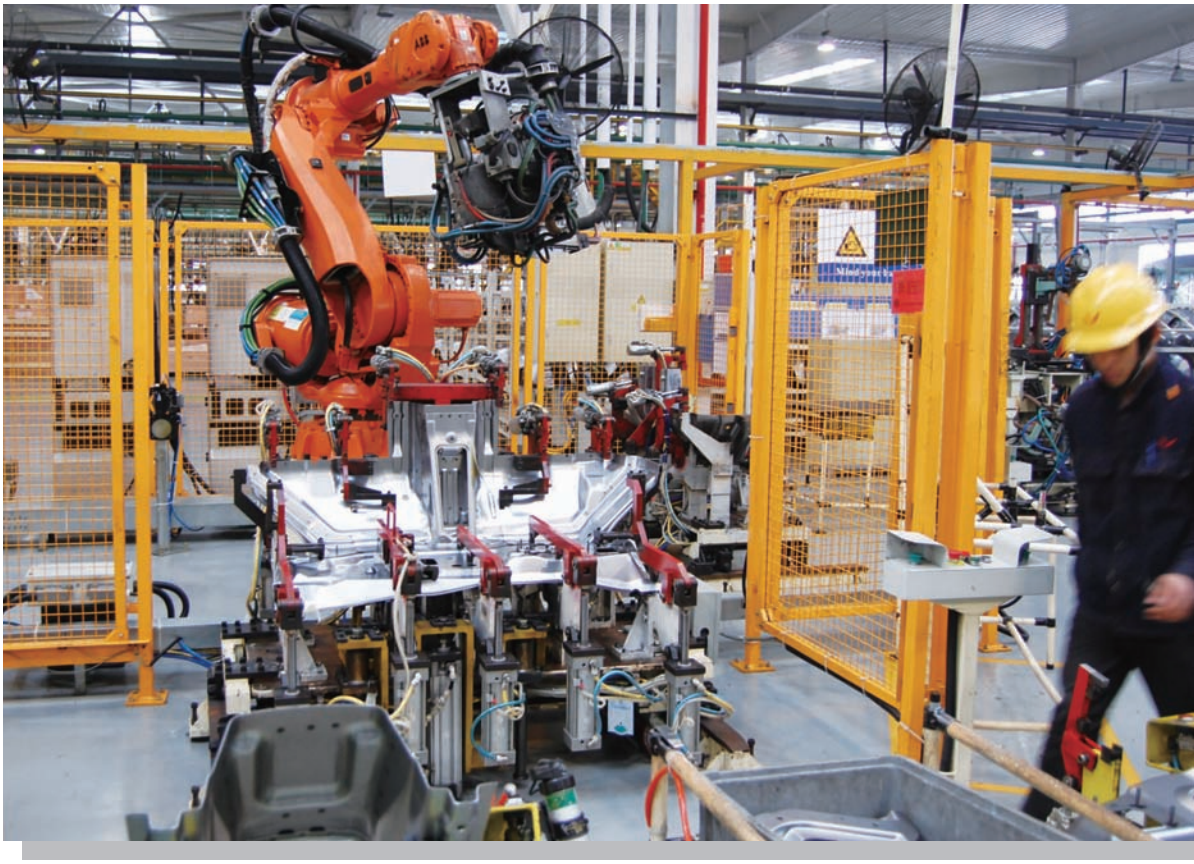


AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES

Turnover (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2014 was RMB7,418,056,000, representing an increase of 11.4% as compared to previous year. Benefited from the launches of new models and the positive effects from the cost control and integration exercises, operating profits for the year was significantly improved to RMB109,613,000, representing an impressive increase of 47.4% as compared to previous 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 2013, the former 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 integration exercise has since gradually demonstrated its effectiveness and benefits.

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 RMB6,000,569,000 and accounted for approximately 80.9% 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 models such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) 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 and industrial services amounted to approximately RMB1,417,487,000, which was also gradually increased during the year.

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

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 capacity expansion and upgrading programmes. With respect to the Qingdao region, the Group has initiated further capacity expansion programme through the leasing of additional factory premises from Liuzhou Wuling commencing from January 2015. From which, the annual production capacity of the Qingdao production facilities will be gradually increased from the present 600,000 units to 800,000 units of key components. Due to the continuous increases of businesses from the major customer, the existing self-owned production facilities which were completed and fully operational in 2013 had gradually reached its full capacity level recently.

As for the Liuzhou region, the self-owned primary production base in Hexi Industrial Park, Liuzhou, with a site area of over 400,000 sqm., which is primarily for the mini- vehicles' components businesses, has been fully completed in 2014. Implementation of various relocation, integration and upgrading exercises along with the completion of this primary production base in Liuzhou has gradually given rise to a positive impact on the business performance of the division. Meanwhile, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the sedans and MPVs, the division has recently established another production facility in the eastern district of Liuzhou, which is mainly targeted at the types of sedan and MPV passenger vehicles' components businesses. This new production facility, which is strategically located in adjacent to the passenger vehicles production base of SGMW, has started operation in late 2014. The Group will oversee these passenger vehicles' components businesses from SGMW and will initiate appropriate plans for further expansion of this production facility in due course.

Subsequent to the year end, the Group entered into a contract to acquire a piece of industrial land with a site area of 100,000 sqm. in Chongqing as a strategic move for further expanding its production capacity in the western region of the PRC, for serving the needs of SGMW and other new customers in this particular region. The Group is at present monitoring the business development plan of the potential customers in this region in order to formulate appropriate business plans for this region.

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, the Group has completed the integration exercise of the operation of this division in 2013, which was previously undertaken by the subsidiary Wuling United into Wuling Industrial. This exercise, which eventually led to the dissolution of Wuling United, will be beneficial to the division and the Group in term of cost saving and efficiency enhancement.

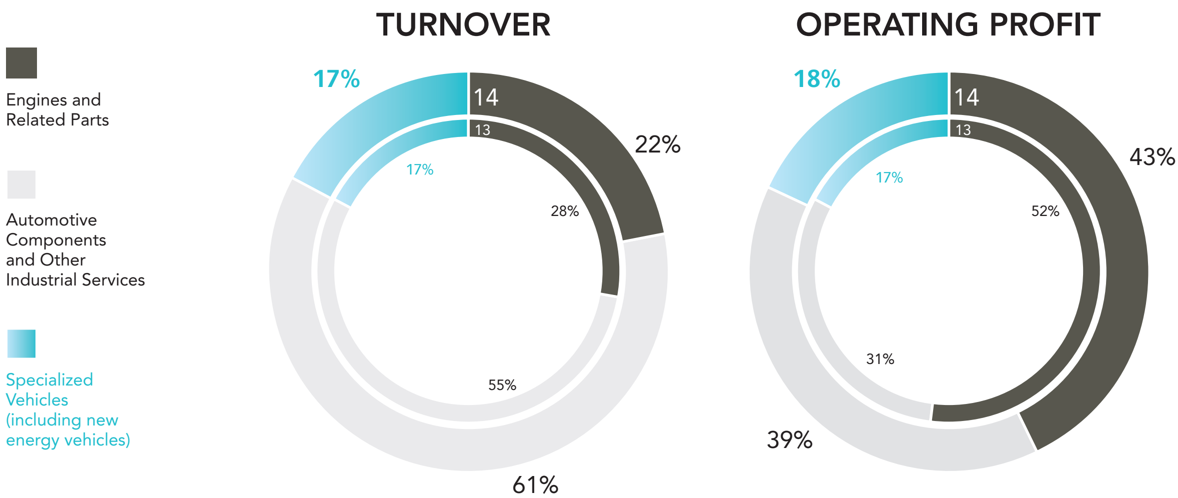
The automotive components and accessories division of the Group currently operates the largest manufacturing base of automotive components in the south-western part of China and is highly recognized for its comprehensive strength of competitiveness. Its specialized facilities cover the products range of the brake, the chassis assembly, automotive accessories, plastic components, welding parts and the seat sets. Main facilities are currently 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 mini-vehicles production capability, strategically, the automotive components division has progressed gradually to other higher value-added passenger vehicles, such as the sedan and MPV segments 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)



SPECIALIZED VEHICLES (INCLUDING NEW ENERGY VEHICLES)

Turnover (based on external sales) of the specialized vehicles division for the year ended 31 December 2014 was RMB2,054,239,000, representing a slight increase of 2.1% as compared to previous year. Operating profits for the year was RMB49,233,000, representing an increase of 20.9%. Due to a gradual shift of the principal products, the specialized vehicles division experienced a slowdown in the business in which the sale volume of the redecorated vans was in particular decreased as compared to previous year. However, increase in revenue from the sales of higher end models ensured a healthy development of this division during the year.

During this year, the Group sold approximately 41,000 specialized vehicles, representing a decrease of 12.8% as compared to previous year. As mentioned above, the decrease was mainly attributable to a decrease in the sale volume of redecorated vans, whereas overall steady growth was maintained for other main products such as mini-school buses, mini-buses and multi-purpose mini-vans, etc. The specialized vehicles division has been actively promote new models to expand its product range and business volume, as well as to enhancing its profitability. 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.

Operating margin slightly improved to 2.4% for the year. High portion of low margin products, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of research and development and warranty incurred for the launches of new products also limited the profitability performance of this division. To enhance the profitability of this division, strategically, the Group has 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 and expects the business development costs incurred for these new models will benefit the profitability performance.

At the same time, the specialized vehicles division is also undertaking certain integration programmes similar to the automotive components and other industrial services division aiming at a better control over the production and marketing which helps to promote cost effectiveness and production efficiency. 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 the overseas markets.

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

The capacity of the specialized vehicles division in Liuzhou at present is about 60,000 vehicles a year. Besides, the Group has also operated a smaller size production facility in Qingdao with a capacity of 30,000 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group's turnover for the year ended 31 December 2014 was RMB12,138,662,000, representing a slight increase of 0.8% as compared to previous year. Impressive growth of businesses of the automotive components and other industrial services division helped to compensate the decreases in the annual turnover of the engines and related parts division. Overall, strong market presence and increasing demands to the products of our key customer ensured a steady growth of the Group in the automobile industry in China.

Gross profit for the year was RMB1,373,721,000, representing an increase of 9.1% as compared to previous year. Increases in revenue and the gradual improvement in the operations of the new facilities of the automotive components and the foundry facilities of the engines division benefited the margin performance of the Group, in spite of the adverse effects from a slowdown of business in the specialized vehicles division and a decline in the sale volume of the engines division during the year.

Gross margin of the Group further improved to 11.3% during the year as compared to 10.5% recorded in previous year. Notwithstanding, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Net profit of the Group for the year was RMB108,417,000, representing an increase of approximately 2.2% as compared to previous year. The increase had already accounted for the adverse effects from the losses and expenses incurred in the relocation of certain production facilities and a consolidation programme took place during the year. Profits attributable to the owners of the Company was RMB49,443,000, representing a slight decrease of 2.1%. Apart from the above adverse factors, the decrease was also substantially attributable to the positive impact of the tax refund arising from the withholding tax rate reduction as reported in previous year and the fair value adjustments of the convertible notes issued by the Company in which a loss of RMB1,282,000 was recorded for the year as compared to a gain of RMB7,534,000 recorded in previous year. The convertible loan notes which were issued to Wuling (Hong Kong) Holdings Limited ("Wuling HK") , our controlling shareholder, in January 2014 were fully exercised in May 2014 at a conversion price of HK$0.58 per ordinary share of the Company, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK. The conversion demonstrated the long term commitment of Wuling HK in the Company, whereas, the issue of these new ordinary shares also helped to further strengthen the capital base of the Company.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB51,702,000 for the year ended 31 December 2014, representing an increase of 15.7% as compared to previous year primarily as a result of an increase in the government subsidies during the year.

Other losses amounted to RMB46,212,000 in total for the year ended 31 December 2014, which comprised primarily losses on disposals of certain fixed assets resulting from the relocation of the production facilities amounting to RMB10,687,000, the impairment losses of RMB16,702,000 on the goodwill and certain fixed assets on termination of operations of a non-wholly owned subsidiary in the engines and parts division, an impairment loss of RMB8,224,000 on an investment in a joint venture company in Qingdao.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB323,761,000 for the year ended 31 December 2014, which maintained at the similar level as compared to previous year and was in line with business volume of the Group.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB831,072,000 for the year ended 31 December 2014, representing an increase of 8.9% as compared to previous year. The increase was mainly attributable to the additional research and development expenses incurred for various new projects during the year.

Research and development expenses for the year ended 31 December 2014 amounted to RMB197,609,000, representing a substantial increase of 75.5% as compared to previous year. Such increase was primarily due to the launches and development projects of new products undertaken by the Group. The Group will continue to prudently carry out research and development projects in accordance with the strategic plan in furthering its future business opportunities.

Finance costs for the year ended 31 December 2014 amounted to RMB80,417,000, representing a decrease of 8.9% as compared to previous year. The balances had included the finance cost of RMB4,503,000 incurred for the convertible loan notes issued by the Company and the other interest expenses payable to Wuling HK and Liuzhou Wuling amounting to RMB31,030,000 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 2014 was RMB3.57 cents, representing a decrease of 17.2% as compared to previous year, whereas, earnings per share on fully diluted basis was RMB3.56 cents, representing a decrease of 4.8%, in which the effect arising from the fair value adjustment on the convertible loan notes issued by the Company, which had been fully converted in May 2014, was excluded in the calculation. Such decreases were mainly due to the increase in the number of issued shares of the Company from the conversion of the convertible loan notes during the year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014, total assets and total liabilities of the Group stood at RMB9,814,578,000 and RMB8,201,386,000 respectively.

Non-current assets amounted to RMB2,488,047,000 comprised mainly property, plant and equipment, prepaid lease payments and deposits paid for acquisition of non-current assets, interests in joint ventures, etc. As mentioned above, for further integration of operations within the engines and parts division, during the year, Wuling Liuji decided to terminate the operation of the non-wholly owned subsidiary in Jilin. Owing to this, goodwill on acquisition of this subsidiary, amounting to RMB5,252,000 has been fully written off during the year.

Current assets amounted to RMB7,326,531,000 comprised mainly inventories of RMB1,449,146,000, trade and other receivables and bill receivables discounted with recourse of RMB5,023,153,000, cash and cash equivalents (inclusive of pledged bank deposits) of RMB849,276,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,266,927,000 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 RMB849,276,000, in which RMB647,524,000 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 RMB316,012,000 as at 31 December 2014.

Current liabilities amounted to RMB7,974,601,000, comprised mainly trade and other payables of RMB7,246,366,000, provision for warranty of RMB164,179,000, tax payable of RMB27,557,000 and bank borrowings — due within one year (inclusive of advances drawn on bills receivable discounted with recourse) of RMB533,264,000.

The Group recorded net current liabilities of RMB648,070,000 as at 31 December 2014, which had been increased as compared to the net current liabilities of RMB271,994,000 as at 31 December 2013.

Non-current liabilities amounted to RMB226,785,000 comprised mainly amounts due to Liuzhou Wuling of RMB191,314,000, deferred income of RMB19,739,000 and deferred tax liability of RMB15,732,000.

DIVIDEND

The Board recommends the payment of a final dividend of HKD0.5 cent per ordinary share (2013: HKD0.5 cent) in respect of the year ended 31 December 2014 (the "Final Dividend") to shareholders whose names appear on the register of members of the Company on Tuesday, 16 June 2015. 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, 5 June 2015, dividend warrants will be dispatched to shareholders of the Company on or about 30 June 2015.

LIQUIDITY AND CAPITAL STRUCTURE

The Group was operating under a net cash inflow position for the year ended 31 December 2014, in which net cash from operating activities amounted to RMB1,185,621,000.

As at 31 December 2014, the Group maintained cash and bank balances of RMB849,276,000, in which RMB647,524,000 were pledged bank deposits to secure the banking facilities offered to the Group.

The Group's bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) decreased from RMB820,850,000 as at 31 December 2013 to RMB533,264,000 as at 31 December 2014.

Overall, the Group had cash (including pledged bank deposits) net of bank borrowings amounting to RMB316,012,000 as at 31 December 2014.

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.

On 28 January 2014, the Company issued new convertible notes with an aggregate principal amount of HK$200,000,000 to Wuling HK for the repayment of the former convertible loan notes held by Wuling HK and the advance from Wuling HK which were both repayable in 2014. These new convertible notes, which are denominated in HKD, have a nominal interest rate of 4.25% per annum and entitle the holder to convert, in whole or in part, the principal amount into ordinary shares of the Company at the conversion price of HK$0.58 per ordinary share on any business days commencing from 28 January 2014 upto the fifth business days prior to the maturity date due on 28 January 2017. The entire convertible loan notes were converted by Wuling HK in May 2014, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK accordingly. The issue of these new ordinary shares helped to further strengthen the capital base of the Company.

As 31 December 2014, the Group had a gearing ratio of 33.1% 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, which was decreased as compared to the gearing ratio as recorded at 31 December 2013.

Issued capital increased from RMB4,529,000 as at 31 December 2013 to RMB5,627,000 as at 31 December 2014. The increase was due to the conversion of the convertible loan notes as abovementioned and the exercise of share options held by certain employees during the year.

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 share premium, the PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB794,338,000 as at 31 December 2014. Net asset value per share was RMB52.3 cents as at 31 December 2014.

PLEDGE OF ASSETS

At 31 December 2014, a property held by the Group in Hong Kong with an aggregate value of RMB4,168,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB647,524,000 and bills receivables discounted with recourse amounting to RMB238,900,000 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 2014, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB37,147,000, Hong Kong dollar amount due to a related party of an aggregate amount of RMB3,235,000, foreign currency and Hong Kong dollar bank deposits of an aggregate amount of RMB855,000, foreign currency and Hong Kong dollar loan and trade receivables of RMB16,555,000 and foreign currency and Hong Kong dollar trade payable of RMB18,436,000. 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 2014, 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 RMB431,165,000.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group does not have any contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2014, the Group had approximately 14,300 employees, including 7,000 staff members and 7,300 workers. Total staff costs for the year ended 31 December 2014 was RMB766,100,000. 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. Ye Xiang and Wang Yuben, 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.

Social Responsibility — An integral part of our business

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

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

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

In 2014, we have championed a variety of ESG initiatives. Going forward, we aim to create value for society, the environment, our employees, shareholders and other stakeholders through our ESG efforts.

WORKPLACE QUALITY

Working Conditions

Hiring New Employees

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

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

Employee Remuneration

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

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

Workforce Statistics and Other Employee Policies

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

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

In 2014, our entire workforce comprised approximately 14,300 employees who were aged between 18 and 65. With regards to the geographical placement of our workforce, in 2014, we had approximately 11,900 employees based in Liuzhou City, approximately 2,300 employees based in Qingdao City, approximately 100 employees based in Chongqing City and 6 employees based in Hong Kong.

Nurturing the Next Generation

Student Internships

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

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

Our interns are awarded a diploma at the end of their internship. On an as-need basis, certain interns who have done an outstanding job and meet the Group's qualification requirements and labor needs may be invited to work for the Group on a permanent, full-time basis.

Health and Safety

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

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

Health and Safety Management System and Policies

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

The main purpose of establishing and maintaining our OHS is to minimize the incidence of accidents and occupational diseases. Based on our OHS, we have established safety objectives and targets. We make regular assessments of our OHS to ensure that the Group's health and safety requirements are met.

In addition to our OHS, we have also developed a Safety Code of Conduct and Twenty-Four Core Management Factors for Ensuring Workers' Safety. These Group-wide policies provide us a framework for conducting safety evaluations on a timely basis, and for evaluating our existing manufacturing processes for adherence to the government's and the Group's health and safety standards. To ensure the smooth implementation of the above policies, we have further established a Safety Committee that is responsible for overseeing the Group's health and safety.

Health and Safety Awards and Recognitions

International Health and Safety Certification

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

Work Safety Standard Certificate

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

National Ankang Cup

The Group has been awarded the National Ankang Cup (National Health & Safety Cup) in the last 5 years. This award recognizes our safe production management, production leaders' strong safety awareness and employees' production safety knowledge and skills.

Recognition by the Municipal Government of Liuzhou City

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

Track Record in Employee Health and Safety

We have achieved a solid track record in employee health and safety. This is evident by our clean record in the last 15 years in which our Group has not experienced any fatal accidents, occupational diseases or major fire incidents. In fact, there have been no fatalities experienced within the Group since the inception of its business. With respect to our track record in the occurrence of injuries in the last 6 years, there has been a low amount of injuries inflicted on our employees.

Employee Development and Training

In 2014, we provided on-the-job training for over 10,000 employees and approximately 469,000 hours were spent on training these employees.

The Group has 3 different employee training programs:

(a) **Training Program for New Managers** — Training on corporate governance and financial management are provided to new managerial level employees such as directors, supervisors and senior management personnel.

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

(c) **Training Program for Assembly Line Workers and Production Workers** — Training for assembly line workers and other production workers involves providing certain trade and production training to these workers to update and improve their skills.

Caring for our Employees

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

In caring for our employees, we encourage them to live a healthy lifestyle and exercise regularly. We also strive to foster harmony in the workplace by organizing social events for our employees to enjoy. In the past, we have staged birthday parties for our employees as well as dumpling making events for the ladies in our Group.

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

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

We strive to instill a corporate culture that embraces learning and education. To this end, the Group encourages its employees to learn by sponsoring the educational fees for employees who meet the Group's qualification criteria for furthering their education at external educational institutions such as universities, colleges and trade schools.

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

Labor Standards

No Child Labor Policy

The Group has a 'No Child Labor' policy and does not hire persons under the age of 16.

ENVIRONMENTAL PROTECTION

At the Wuling Group, environmental protection is a priority. We are conscientious about the potential impact that our actions have on the environment and strive to reduce our impact on the environment. To do our part in protecting the environment, we have adopted a number of environmentally friendly initiatives. In the road ahead, we plan to further strengthen our environmental protection efforts as well as develop new programs to care for the environment.

Emissions

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

Reducing Greenhouse Gas Emissions

In 2014, we have continued to develop, manufacture and market our emissions-free electric vehicles. These vehicles do not emit CO2 or other harmful greenhouse gases into the environment. In gearing up for the future, we aim to increase our efforts in reducing emissions and will innovate intelligently to produce clean, safe and efficient products for our customers.

Treating Wastewater and Other Substances to Government Standards

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

Use of Resources

Our Principles on Energy Use

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

Energy Audits

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

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

Energy Saving Management Program

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

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

Established Energy Department

We have set up a centralized department that is responsible for our energy usage and conservation.

This department has the following responsibilities:

- energy consumption management standards
- promote the usage and implementation of the department's standards
- energy conservation
- implementation of energy-saving arrangements
- power and energy consumption management standards
- development and promotion of energy-saving technologies
- environmental protection
- improve employees' awareness of energy conservation work

Energy Management System

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

Water and Electricity Management

Water Management

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

At our production facilities, we recycle the used water from the production process whenever possible. In watering the grass fields around the company premises, we mainly use rainwater or recycled water.

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

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

Electricity Management

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

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

Other Energy Saving Initiatives

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

OPERATING PRACTICES

Supply Chain Management

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

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

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

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

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

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

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

Product Responsibility

Product Quality and Safety Control Procedures

The Group has put in place a comprehensive Quality Management System to evaluate product quality. We have also established our product traceability system that gives us the capability to trace any batch of products (cars) that we have detected an issue. Our early warning system warns us of any product quality issues and this enables us to fix potential issues as soon as they appear. Our Quality Management System also satisfies the rules and regulations as stipulated by the PRC's government regarding the quality and safety of automotive products.

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

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

Monitoring Customer Satisfaction and Collecting Customer Feedback

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

In 2014, we achieved a high level of customer satisfaction. Based on the customer satisfaction surveys that we have conducted through telephone interviews and face-to-face interviews with customers, the findings showed that we achieved a high customer satisfaction rate.

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

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

Providing Customers a High Standard of Service

To provide customers a high standard of customer service, we have established a 24-hour customer service hotline and an extensive service network in China to provide servicing to our customers. In 2014, we operated 411 service stations situated over 19 geographic service areas that were supervised by 25 regional service managers.

Anti-Corruption

In fighting against corruption, the Group has communicated its stance against corruption to its employees. Furthermore, the Group has put in place a set of regulations and monitoring system as measures to combat corruption. At the same time, the Group strictly adheres to the rules and regulations relating to anti-corruption as set out by the government of the PRC.

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

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

COMMUNITY INVOLVEMENT

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

In 2014, we have cooperated with our employees, business partner, community members and other volunteers to carry out a number of community concern activities. In the coming years, we wish to continue to work hand-in-hand with our fellow volunteers to develop and implement community concern programs that make a world of difference.

Community Investment

Caring for Underprivileged Children

To help underprivileged children in China, we have established the 'Wuling Discovery Voyage', an annual event where our employee volunteers travel around China to provide useful supplies to underprivileged children. We have organized this event twice. The inaugural event was launched in 2013 and we have held it again in 2014. During the 2014 Wuling Discovery Voyage, our employee volunteers traveled a distance of 15,000 kilometers to visit 10 Chinese provinces including Guangxi, Yunnan, Sichuan, Qinghai, Gansu, Ningxia and Shaanxi to provide the underprivileged children living in those provinces with useful supplies.

In 2014, we also donated our Wuling electric mini buses to some of the poverty-stricken rural villages in China to serve as school buses for transporting the left-behind children in those villages. Moreover, in the last 8 years, the Group has donated practical items such as books, sporting goods and other useful items to a couple of primary schools in Sanjiang County for the benefit of the underprivileged children attending those schools.

Engaging Youths in our Community

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

In engaging youths, we cooperate with various youth organizations in China to organize community service activities each year. This includes organizing teenage volunteers to lend a helping hand in carrying out sanitary cleaning services for the community and helping out at the kindergartens.

Greening the Environment

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

2014 marked the tenth consecutive year we planted trees to build a greener environment. In 2014, we planted star fruit trees in some of the communities where we have operations. To increase the amount of the green space around our community, in 2014, in addition to replacing the worn out grass in the community football field with new grass, we also placed a number of plants around the community auditorium and basketball court.

Upgrading Community Infrastructure

In 2014, we partnered with our long-term business partner SGMW to create and implement a community infrastructure improvement project. This project aimed to improve the living conditions for our fellow community members and called for the Wuling Group and SGMW to carry out various improvements to the community's infrastructure.

Through this joint-venture project, we reconstructed a parking lot to increase the number of parking spaces. We also cleaned the septic tanks to improve sewage sanitation in our community. Furthermore, we repaired some of the roads in the community as well as completed repair work at the Wuling Old University. We renewed some parts of the community by de-rusting and painting the staircases of old buildings around the community.

In 2014, the Group, through its own initiative, repaired the water piping system in the community to improve its operation as well as installed new solar lights around the community to improve the community's lighting system.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

EXECUTIVE DIRECTORS

Mr. WEI Hongwen

Chairman

Mr. Wei, aged 52, Chairman of the board of directors and the Nomination Committee, was appointed as 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. Mr Wei is currently the chairman of the board of directors and the chief executive of Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), and a director of Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") and Wuling (Hong Kong) Holdings Limited ("Wuling HK"), being controlling shareholder of the Company, which are beneficially interested in approximately 51.28% of the total issued share capital of the Company. Mr. Wei is also currently the chairman of the board of director and the chief executive 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. 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. LEE Shing

Vice-chairman and Chief Executive Officer

Mr. Lee, aged 57, Vice-chairman of the board of directors and the Chief Executive Officer, was appointed as Executive Director on 22 June 2006 and is currently a member of the Nomination Committee. Mr. Lee has extensive experience in the trading and manufacturing business in Hong Kong and the PRC. Mr. Lee 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 18.55% of the total issued share capital of the Company. 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. SUN Shaoli

Executive Director

Mr. Sun, aged 60, was appointed as Executive Director on 10 September 2007. 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 a director of the board of Liuzhou Wuling, Wuling Motors and Wuling HK, which are directly and indirectly wholly-owned subsidiaries of Liuzhou Wuling. Wuling HK is currently the controlling shareholder of the Company which is beneficially interested in approximately 51.28% of the total issued share capital of the Company.

Mr. ZHONG Xianhua

Executive Director

Mr. Zhong, aged 56, was appointed as Executive Director on 4 January 2010. Mr. Zhong is currently a director of Wuling Industrial and the vice president of Liuzhou Wuling, the ultimate controlling shareholder of the Company. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer and has over 27 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

Ms. LIU Yaling

Executive Director

Ms. Liu, aged 39, was appointed as 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 16 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 Sheji

Executive Director

Mr. Zhou, aged 57, was appointed as 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 26 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 2.95% of the total issued share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. ZUO Doufu

Independent Non-executive Director

Mr. Zuo, aged 71 was appointed as Independent Non-executive Director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has about 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 Xiang

Independent Non-executive Director

Mr. Ye, aged 51, was appointed as Independent Non-executive Director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited ("Vision Gain"), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 19 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.

Mr. Wang Yuben

Independent Non-executive Director

Mr. Wang, aged 59, was appointed as an Independent Non-executive Director on 20 March 2015. Mr. Wang obtained a doctorate degree in economic law from the school of law of the Renmin University of China. He is currently an arbitrator of Beijing Arbitration Commission and the executive officer of the research centre of direct marketing of the Peking University. Mr. Wang has more than 32 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Besides, Mr. Wang is currently an independent non-executive director of Xinjiang Luntai Grand Oil Tech Co., Ltd. (新疆格瑞迪斯石油技術股份有限公司). Mr. Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

Mr. YU Xiumin

Independent Non-executive Director

Mr. Yu, aged 54, was appointed as Independent Non-executive Director on 22 June 2006 and resigned on 20 March 2015. Mr. Yu holds a doctorate degree in engineering and has extensive experience in the research and teaching aspects of the automobile engineering. Prior to his resignation, Mr. Yu was also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

SENIOR MANAGEMENT

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 50, 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 27 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 48, 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 28 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 46, 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 25 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 51, 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 29 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. CHEN Xiaofeng

Mr. Chen, aged 40, 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 17 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 52, 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 29 years' of extensive experience in the production management and quality control of the automotive components industry.

Mr. LI Huanyu

Mr. Li, aged 52, 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 29 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

Mr. WEI Mingfeng

Mr. Wei aged 40, is currently the vice general manager and also the senior controller of the production and manufacturing department of Wuling Industrial, a principal subsidiary of the Company. Mr. Wei graduated from Tianjin University majoring in Chemical Mechanical Engineering and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is an engineer. Mr. Wei has over 17 years' of extensive experience in business operations, production management and quality control of the automotive components industry.

Mr. QIN Qibin

Mr. Qin, aged 52, 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 30 years' of extensive experience in the product development and the quality management of the automotive components industry.

Mr. LIU Yourong

Mr. Liu, aged 43, is currently the assistant general manager of Wuling Industrial, a principal subsidiary of the Company. Mr. Liu graduated from China University of Mining majoring in Accounting and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is senior accountant. Mr Liu has over 20 years' of extensive experience in cost management and institutionalization of the financial system.

The board of directors ("Board") of the Company is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2014.

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 complied with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

During the year the Company 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 "Director(s)") should take decisions objectively in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

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

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

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

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

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

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

Composition

The composition of the Board ensures a balance of skills, experiences and diversity of perspective appropriate to the requirements of the business and development of the Company. The composition of six executive Directors and three independent non-executive Directors can effectively exercise independent judgment.

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

Executive Directors

Mr. Wei Hongwen *(Chairman, re-designated as Chairman on 31 October 2014)*
Mr. Lee Shing *(Vice-chairman and Chief Executive Officer)*
Mr. Sun Shaoli *(Resigned as Chairman on 31 October 2014)*
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji

Independent Non-Executive Directors

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben *(appointed on 20 March 2015)*
Mr. Yu Xinmin *(resigned on 20 March 2015)*

Mr. Wang Yuben was appointed as an independent non-executive Director, a member of each of the nomination committee, audit committee and remuneration committee of the Company in place of the resignation of Mr. Yu Xiumin as an independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and the remuneration committee of the Company, all with effect from 20 March 2015.

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

Messrs. Wei Hongwen, Sun Shaoli 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, the ultimate controlling 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 and function.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company and the nomination committee of the Company considered 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 keep bringing a wide range of business and financial expertise, skills, experiences and independent judgment on the issues of strategy, policy, performance accountability, resources, key appointments and standards of conduct to the Board. Through regular attendance and active participation in Board meetings and/or general meetings of the Company, 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.

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

Appointment, Re-election and Resignation of Directors

The Company has established formal, considered and transparent procedures and criteria for the appointment, re-election, resignation, re-designation, retirement or removal of the Director(s) in accordance with the Company's bye-laws and the Listing Rules.

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 re-elected in the general meeting of the Company (i.e. the term of appointment of all Directors, including the non-executive Directors, is effectively three years) and each Director appointed to fill a casual vacancy or as an additional Director by the Board is subject to re-election at the next general meeting of the Company following his/her appointment.

During the year, Messrs. Sun Shaoli, Zuo Duofu and Ye Xiang retired and were re-elected as the Director respectively in accordance with the Company's Bye-laws by resolution passed by the Shareholders in the annual general meeting of the Company on 30 May 2014.

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

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 annual general meeting of the Company and the papers to the Shareholders accompanying the reasons why the Board believes he/she is still independent and should be re-elected.

The nomination committee of the Company is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of the Directors, monitoring the appointment and succession planning of the 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, Messrs. Wei Hongwen, Lee Shing and Liu Yaling, executive Directors of the Company, will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 5 June 2015 ("2015 AGM"). Mr. Wang Yuben, independent non-executive Director, who was appointed on 20 March 2015 by the Board in place of the resignation of Mr. Yu Xiumin will also retire at the 2015 AGM in accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules, being eligible, offer himself for re-election at the same meeting. The Board and the nomination committee of the Company recommended the re-appointment of all retiring Directors standing for re-election at the 2015 AGM.

Detailed information of all the retiring Directors standing for re-election at the 2015 AGM will be fully described in the Company's circular as per the Listing Rules, which will be dispatched to Shareholders with this 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 applicable regulatory requirements in Bermuda and Hong Kong.

The Company keeps circulating information and materials to develop and refresh Directors' knowledge and skills. Besides, the Chief Financial Officer, Company Secretary and/or the Management also briefed 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 2014, a total number of four (4) regular Board meetings, two (2) Audit Committee meetings, one (1) Remuneration Committee meeting and two (2) Nomination Committee meetings 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 of the Company ("AC"), the remuneration committee of the Company ("RC") and the nomination committee of the Company ("NC"), as well as the Shareholders' meeting(s) (annual general meeting as "AGM" and special general meeting as "SGM") during the year ended 31 December 2014 are set out below:

	Attendance record of Directors and Committee Members in 2014					
Name of Directors	**AGM**	**SGM**	**Board**	**AC**	**RC**	**NC**
No. of Meeting(s)	1	2	4	2	1	2
Executive Directors						
Mr. Wei Hongwen *(Chairman)*(1)	0/1	0/2	4/4	N/A	N/A	0/0
Mr. Lee Shing *(Vice-chairman)*	1/1	2/2	4/4	N/A	N/A	2/2
Mr. Sun Shaoli(1)	1/1	2/2	4/4(2)	N/A	N/A	1/2
Mr. Zhong Xianhua	0/1	0/2	4/4	N/A	N/A	N/A
Ms. Liu Yaling	1/1	0/2	4/4	N/A	N/A	N/A
Mr. Zhou Sheji	1/1	2/2	4/4	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Zuo Duofu	1/1	0/2	4/4	2/2	1/1	2/2
Mr. Ye Xiang	0/1	2/2	4/4	2/2	1/1	2/2
Mr. Wang Yuben(3)	0/0	0/0	0/0	0/0	0/0	0/0
Mr. Yu Xiumin(4)	1/1	0/2	4/4	2/2	1/1	2/2

Notes:

(1) Mr. Wei Hongwen was re-designated as Chairman of the Board and a member of NC in place of Mr. Sun Shaoli with effect from 31 October 2014, and was subsequently re-designated as Chairman of NC on 20 March 2015.

(2) One meeting was attended by Mr. Sun Shaoli's alternate.

(3) Mr. Wang Yuben was appointed on 20 March 2015.

(4) Mr. Yu Xiumin resigned on 20 March 2015.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting of the Board and the Committees are normally made available to Directors and members in advance.

Notices and Agenda of regular Board meetings are served to all Directors at least 14 days before the meetings. Directors may include any of his/her concerns in the agenda. For other Board and committee meeting, 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 or in a timely manner 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 Management for making further enquiries.

The responsible senior management attends 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 all the Directors and members for comments (if any) within a reasonable time after each meeting and the final version is open for Directors' and committees members' inspection.

During the year and up to the date of this report, the Management provide all members of Board with monthly updated and detailed financial position, performance and prospects 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 Directors take lead when potential conflicts of interest arise. Independent Board Committee comprising all independent non-executive Directors has been and 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 are Mr. Sun Shaoli (from 1 January 2014 to 31 October 2014) and Mr. Wei Hongwen (from 1 November 2014 onwards), whereas, the Chief Executive Officer of the Company is Mr. Lee Shing respectively, who have no relationship with each other. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by them separately such that Mr. Sun Shaoli and Mr. Wei Hongwen, the former and present Chairman of the Board, has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions of the Company. They ensure 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. They also ensure all Directors are properly briefed on issues to be discussed at Board meetings. They take primary responsibility for ensuring that good corporate governance practices and procedures are established. They have encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interest of the Company. Mr. Lee Shing, as the Chief Executive Officer, has been delegated with the authorities for the overall management and operations of the Group.

During the financial year ended 31 December 2014, 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. The Chairman supported a culture of openness and debate by facilitating the effective contribution of independent non-executive Directors in particular and ensuring constructive relations between executive and independent non-executive Directors. The Chairman keeps effective communication channel with the Shareholders and ensure the Shareholders' views are communicated to the Board as a whole.

BOARD COMMITTEES

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

The members of the Audit Committee and the Remuneration Committee 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 report.

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

Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive Directors including Mr. Zuo Duofu (chairman of Remuneration Committee), Mr. Ye Xiang and Mr. Wang Yuben (who replaced Mr. Yu Xiumin with effect from 20 March 2015). The biographical details of these Directors are set out in the section headed "Directors' & Senior Management's Biographies" in this 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 Management. 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 Board about these recommendations on remuneration policy and structure as well as the remuneration packages.

The Remuneration Committee held one meeting during the year ended 31 December 2014 for, inter alia, reviewing annually the policy for the remuneration of Directors and the Management and procedures for fixing the remuneration package, assessing the performance of all Directors, making recommendation on the remuneration packages of all Directors and the Management, approving the adjustment to the Directors' salary, the terms of Directors' service contracts and/or other related matters. The attendance records of the Remuneration Committee are set out under "Board Meetings" on page 44.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors including Mr. Ye Xiang (chairman of the Audit Committee), Mr. Zuo Duofu and Mr. Wang Yuben (who replaced Mr. Yu Xiumin with effect from 20 March 2015), 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 was a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the followings:

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

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

(c) To review the 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 2014 to review, assess and comment on the audited consolidated financial statement for the year ended 31 December 2014 and reports, the continuing connected transactions, financial reporting and compliance procedures, the Company's internal control and risk management review and processes and the re-appointment of the external auditors of the Company in the annual general meeting. The attendance records of the Audit Committee are set out under "Board Meetings" on page 44.

Nomination Committee

The Nomination Committee currently comprises Mr. Wei Hongwen, Chairman of the Board (who replaced Mr. Sun Shaoli with effect from 31 October 2014 as member and replaced Mr. Yu Xiumin with effect from 20 March 2015 as Chairman of the Nomination Committee), three independent non-executive Directors including Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, as well as 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 office succession planning for Directors in particular the Chairman and the Chief Executive Officer.

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

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

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

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

The Nomination Committee held two meetings during the year ended 31 December 2014 to, inter alia, review the policy for the nomination of Directors, monitor the composition and effectiveness of the Board, evaluate the performance of the Board, assess the independence of each independent non-executive Director, consider the re-designation of the Chairman of the Board, evaluate the diversity of the Board and identify those Directors to be retired by rotation in the 2015 AGM, and then be re-elected as Director in the same meeting in accordance with the Company's bye-laws. The attendance records of the Nomination Committee are set out under "Board Meetings" on page 44.

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 2014, the Board reviewed, monitored and assessed 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 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.

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Company for the year ended 31 December 2014 by the auditors 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 audited consolidated financial statements for the year ended 31 December 2004 is set out in the "Independent Auditor's Report" on pages 62 and 63.

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 2014, Deloitte Touche Tohmatsu, the external auditor of the Company received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

	2014 RMB'000
Annual audit services	1,570
Interim review services	517
Other services	39

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard Shareholder 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 holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene a special general meeting 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 is welcome to Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings 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, the Shareholder should deposit a written notice of nomination which shall be given to the head office of the Company at the within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company 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, former Chairman or Mr. Lee Shing, the Vice-Chairman and the Chief Executive Officer attended the Shareholders' meetings held by the Company. Mr. Wei Hongwen, the present Chairman and Mr. Lee Shing, the Vice Chairman, will use their endeavours to attend all future shareholders' meetings of the Company.

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

The Board did and would arrange the external auditor of the Company to attached 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 did and would 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 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 ("Directors") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the audited consolidated financial statements of this report. 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 2014 are set out in the audited consolidated statement of profit or loss and other comprehensive income of this report on page 64.

The Directors recommended the payment of a final dividend of HKD0.5 cent per ordinary share of the Company (the "Share(s)") for the year ended 31 December 2014 (the "Final Dividend") (2013: HKD0.5 cent) to the shareholders of the Company (the "Shareholder(s)"), whose names shall be on the register of members of the Company on 16 June 2015, amounting to approximately RMB5,958,000, subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Friday, 5 June 2015 (the "2015 AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 June 2015 to Friday, 5 June 2015 (both dates inclusive), during which no transfer of Shares will be effected. In order to qualify for attendance of the 2015 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited ("Tricor"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong ("Tricor Office"), not later than 4:30 p.m. on Monday, 1 June 2015.

The register of members of the Company will also be closed from Friday, 12 June 2015 to Tuesday, 16 June 2015 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor, at Tricor Office, not later than 4:30 p.m. on Thursday, 11 June 2015.

FINANCIAL SUMMARY

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

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**12,138,662**	12,037,324	11,856,125	10,908,602	11,063,390
Profit before tax	**142,370**	130,439	143,683	167,921	237,663
Income tax expense	**(33,953)**	(24,405)	(45,106)	(31,466)	(55,120)
Profit for the year	**108,417**	106,034	98,577	136,455	182,543
Profit for the year attributable to:					
Owner of the Company	**49,443**	50,528	40,214	69,813	77,648
Non-controlling interests	**58,974**	55,506	58,363	66,642	104,895
	108,417	106,034	98,577	136,455	182,543
Total assets	**9,814,578**	10,206,983	10,704,000	9,697,379	10,073,205
Total liabilities	**8,201,386**	(8,856,344)	(9,438,758)	(8,492,330)	(9,172,669)
Net assets	**1,613,192**	1,350,639	1,265,242	1,205,049	900,536
Net assets attributable to:					
Owner of the Company	**794,338**	585,859	538,197	486,489	301,574
Non-controlling interests	**818,854**	764,780	727,045	718,560	598,962
	1,613,192	1,350,639	1,265,242	1,205,049	900,536

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group revalued its investment properties at the year ended on 31 December 2014. The net increase in fair value of the investment properties of the Group, which has been credited directly to consolidated income statement of comprehensive income, amounted to RMB837,000 (2013: RMB343,000).

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements of this report.

CONVERTIBLE LOAN NOTES

Details of the convertible notes of the Company are set out in note 31 to the consolidated financial statements of this report.

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 of this report on page 67.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements in the reserves of the Company during the year are set out in note 46 to the consolidated financial statements of this report.

As at 31 December, 2014, the Company's reserves available for distribution to the Shareholders were RMB251,495,000, which comprises contributed surplus of RMB94,381,000 and retained profits of RMB157,114,000 of the Company.

Under the Companies Act 1981 of Bermuda (as amended from time to time), 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 32 to the consolidated financial statements of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for respectively 64.2% and 71.9% of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and the five (5) largest suppliers taken together accounted for respectively 15.7% and 27.0% of the Group's total purchases for the year. SAIC-GM-Wuling Automobile Co., Ltd. (上汽通用五菱汽車股份有限公司, "SGMW") in which, Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), the controlling 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 close associates or, so far as the Directors are aware, any Shareholder who owns more than 5% of the issued share capital of the Company has any interests in any of the aforesaid top five (5) customers and 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. Wei Hongwen
(Chairman, re-designated as Chairman on 31 October 2014)
Mr. Lee Shing
(Vice-chairman & Chief Executive Officer)
Mr. Sun Shaoli
(Resigned as Chairman on 31 October 2014)
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji

Independent Non-Executive Directors:

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben *(appointed on 20 March 2015)*
Mr. Yu Xiumin *(resigned on 20 March 2015)*

The biographical details of the Directors are set out on pages 34 to 38 of this report.

Each Director, including those appointed for a specific term, should be subject to retirement by rotation and then 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") and the Company's bye-laws.

In accordance with bye-law 99(B) of the Company, Mr. Wei Hongwen, Mr. Lee Shing and Ms. Liu Yaling shall retire by rotation at the 2015 AGM and, being eligible, offer themselves for re-election at the same meeting.

Mr. Yu Xiumin resigned as independent non-executive Director on 20 March 2015 due to increased commitment in his own business. Mr. Wang Yuben was appointed as an independent non-executive Director in place of the resignation of Mr. Yu Xiumin with effect from 20 March 2015.

In accordance with bye-law 91 of the Company and the Listing Rules, Mr. Wang Yuben will retire at the 2015 AGM and, being eligible, offer himself for re-election at the same meeting.

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 11 and 12 to the consolidated 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 and then re-election at the annual general meeting of the Company in accordance with the Company's bye-laws and/or the Listing Rules.

No Directors being proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2014, 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

Names of Director	Capacity		Number of ordinary Shares	Approximate % of the issued Share capital*
Mr. Wei Hongwen ("Mr. Wei")	Beneficial owner		200,000	0.01%
	Beneficial owner (Note 1)		3,000,000	0.20%
		Total	3,200,000	0.21%
Mr. Lee Shing ("Mr. Lee")	Interest in controlled corporation (Note 2)		281,622,914	18.55%
	Beneficial owner (Note 1)		3,000,000	0.20%
	Interest held by spouse (Note 3)		1,600,000	0.11%
		Total	286,222,914	18.86%
Mr. Zhou Sheji ("Mr. Zhou")	Interest in controlled corporation (Note 4)		44,770,000	2.95%
	Beneficial owner (Note 1)		2,000,000	0.13%
		Total	46,770,000	3.08%

Notes:

(1) 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.

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

(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 2014 (i.e. 1,517,992,976 Shares).

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 2014 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 2014, the number of outstanding share options granted by the Company under the option scheme adopted on 28 May 2012 (the "Share Option Scheme") for the Directors to subscribe the Shares, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

Category		As at 1 January 2014 *(Note 1)*	During the year Granted (Exercised)	During the year Lapsed/ Cancelled	As at 31 December 2014 *(Note 1)*
Directors					
Mr. Lee		3,000,000	–	–	3,000,000
		1,600,000 *(Note 2)*	–	–	1,600,000
	Sub-total	4,600,000	–	–	4,600,000
Mr. Wei		3,000,000	–	–	3,000,000
Mr. Sun Shaoli		3,000,000	–	–	3,000,000
Mr. Zhong Xianhua		2,000,000	–	–	2,000,000
Ms. Liu Yaling		2,000,000	–	–	2,000,000
Mr. Zhou		2,000,000	–	–	2,000,000
Mr. Yu Xiumin		1,000,000	–	–	1,000,000
Mr. Zuo Duofu		1,000,000	–	–	1,000,000
Mr. Ye Xiang		1,000,000	–	–	1,000,000
	Total	19,600,000	–	–	19,600,000

Notes:

(1) All of the share options was granted on 16 June 2012 and vested on the date immediately after three months from the date of acceptance and are exercisable from 6 October 2012 to 30 June 2016 (both days inclusive) at exercise price of HK$0.49 per Share.

(2) The spouse of Mr. Lee, an executive Director, is an employee of the Group.

Save as disclosed herein, at no time during the year ended 31 December 2014 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, its fellow subsidiaries or its holding companies 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 SHARES AND DEBENTURES" and note 36 to the consolidated financial statements of this report.

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

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2014, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Names of Shareholder	Capacity	Name of interest		Number of ordinary Shares	Approximate % of the issued Share capital*
Dragon Hill (Note 1)	Beneficial owner	Corporate		281,622,914	18.55%
Mr. Lee	Interest in controlled corporation (Note 1)	Corporate		281,622,914	18.55%
	Beneficial owner (Note 2)	Option		3,000,000	0.20%
	Interest held by spouse (Note 2)	Family's option		1,600,000	0.11%
			Sub-total	286,222,914	18.86%
Wuling (Hong Kong) Holdings Limited ("Wuling HK") (Note 3)	Beneficial owner	Corporate		778,479,561	51.28%
Wuling Motors (Hong Kong) Company Limited ("Wuling Motors") (Note 3)	Interest in controlled corporation	Corporate		778,479,561	51.28%
Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling") (Note 3)	Interest in controlled corporation	Corporate		778,479,561	51.28%

Notes:

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

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

(3) The entire issued share capital of Wuling HK is currently held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is currently held by 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.

* The percentage has been adjusted based on the total number of Shares in issue as at 31 December 2014 (i.e. 1,517,992,976 Shares).

Other than as disclosed above, as at 31 December 2014, 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, the chairman of the Board and 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.

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

CONNECTED TRANSACTION

On 27 November 2013, the Company entered into a subscription agreement with Wuling HK, the controlling Shareholder, 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") 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. 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. The conversion rights in relation to the total principal amount of the New Convertible Notes of HK$200,000,000 were exercised in full at the initial conversion price of HK$0.58 per conversion share, a total of up to 344,827,586 new Shares were allotted and issued on 21 May 2014. Details of which may refer to the Company's announcement dated 21 May 2014.

CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the business and operation of 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, and its subsidiaries (collectively as the "Wuling Industrial Group"), Wuling Industrial entered into the following agreements with Liuzhou Wuling, the controlling Shareholder, and/or its associates, 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.

* For identification purpose only

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

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

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

(4) a tenancy agreement entered into between Wuling Industrial as tenant, and 青島五菱汽車科技有限公司 (Qingdao Wuling Automotive Technology Co., Limited*) as landlord, a wholly-owned subsidiary of Liuzhou Wuling, on 4 December 2014 (the "Additional Tenancy Agreement") in respect of a parcel of land and the buildings constructed thereon, located in south of Songhuajiang Road, West of Jiangshan Road, Huangdao District, Qingdao, the PRC* (中國青島市黃島區江山路西松花江路南側) (the "Leased Properties") for a period commencing from 1 January 2015 and expiring on 31 December 2015. The total rental payable under the Additional Tenancy Agreement, on an annual basis, shall be RMB4,871,080.20. The Leased Properties will be used by Wuling Industrial Group as offices and production plants, details of which were disclosed in the announcement of the Company 4 December 2014.

Amongst the above continuing connected transactions, the Leasing of Properties (item 1 above) and the 2014–2016 Master Agreement (item 3 above) both constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules, in which independent Shareholders' approval are required. In this connection, the respective independent Shareholders' approvals were obtained in the special general meetings of the Company held on 31 January 2013 for the Leasing of Properties and 23 January 2014 for the 2014–2016 Master Agreement respectively. The remaining continuing connected transactions were exempted under the Listing Rules from the approval of independent Shareholders.

* For identification purpose only

The aggregate amounts of the abovementioned continuing connected transactions for the year ended 31 December 2014 are set out in note 42 to the consolidated financial statements of this report. For each of these continuing connected transactions, the aggregate amounts took place during the year ended 31 December 2014 were within the annual maximum values as stated in the respective agreements. Pursuant to rule 14A.56 of the Listing Rules, the Directors engaged the auditors of the Company to perform certain agreed upon procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter of Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

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

(ii) on 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 respective 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 in this report.

REMUNERATION COMMITTEE

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

The terms of reference of the Remuneration Committee 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 2014 is set out in the "Corporate Governance Report" in this report.

AUDIT COMMITTEE

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

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

The terms of reference of the Audit Committee 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 2014 is set out in the "Corporate Governance Report" in this report.

The audited consolidated financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") currently comprises Mr. Wei Hongwen, Chairman of the Board (chairman of the Nomination Committee), three independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, as well as Mr. Lee Shing, vice-chairman of the Board and the chief executive officer for the purpose of, inter alia, reviewing the composition and effectiveness of the Board functioning, as well as to assessing or making recommending on relevant matters relating to the appointment and/or re-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 2014 is set out in the "Corporate Governance Report" in this 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 (2013: Nil).

STAFF

As at 31 December 2014, the Group had approximately 14,300 employees. Salaries of employee are maintained at competitive levels and bonus are granted on a discretionary basis. Other employee benefits include provident fund, insurance medical cover, subsidised educational and training programmes as well as share option scheme of the Company.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code, amended from time to time, The Directors have confirmed they have complied with the Own Code and the Model Code throughout the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE END OF THE REPORTING PERIOD

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

AUDITOR

Deloitte Touche Tohmatsu ("Deloitte"), being the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment in the 2015 AGM. A resolution for the re-appointment of Deloitte as auditor of the Company will be proposed at the 2015 AGM.

On behalf of the Board

Wei Hongwen
Chairman
27 March 2015

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 64 to 146, which comprise the consolidated statement of financial position as at 31 December 2014, 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 2014 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
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7(a)	12,138,662	12,037,324
Cost of sales		(10,764,941)	(10,777,875)
Gross profit		1,373,721	1,259,449
Other income	7(b)	51,702	44,681
Other gains and losses	7(c)	(46,212)	(2,468)
Selling and distribution costs		(323,761)	(320,136)
General and administrative expenses		(831,072)	(763,218)
Share of results of joint ventures	20	(1,591)	418
Finance costs	8	(80,417)	(88,287)
Profit before taxation		142,370	130,439
Income tax expense	9	(33,953)	(24,405)
Profit for the year	10	108,417	106,034
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operation		2,753	2,355
Total comprehensive income for the year		111,170	108,389
Profit for the year attributable to:			
Owners of the Company		49,443	50,528
Non-controlling interests		58,974	55,506
		108,417	106,034
Total comprehensive income attributable to:			
Owners of the Company		52,196	52,883
Non-controlling interests		58,974	55,506
		111,170	108,389
Earnings per share	14		
Basic		3.57 cents	4.31 cents
Diluted		3.56 cents	3.74 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,857,279	1,581,116
Prepaid lease payments	16	220,512	211,692
Premium on prepaid lease payments	17	897	922
Investment properties	18	7,936	7,130
Intangible assets	19	628	628
Interests in joint ventures	20	80,138	68,103
Goodwill	21	–	5,252
Deposits paid for acquisition of land use rights	22	7,010	–
Deposits paid for acquisition of property, plant and equipment	23	291,647	209,756
Available-for-sale investment	33	22,000	–
Deposit paid for acquisition of an equity investment	33	–	22,000
		2,488,047	2,106,599
CURRENT ASSETS			
Inventories	24	1,449,146	1,189,408
Trade and other receivables	25	5,023,153	5,868,265
Prepaid lease payments	16	4,956	4,731
Tax recoverable		–	1,166
Pledged bank deposits	27	647,524	723,349
Bank balances and cash	27	201,752	313,465
		7,326,531	8,100,384
CURRENT LIABILITIES			
Trade and other payables	28	7,246,366	7,031,265
Amounts due to shareholders	29	–	249,283
Amount due to a related party	29	3,235	–
Provision for warranty	30	164,179	158,698
Tax payable		27,557	29,054
Convertible loan notes	31	–	83,228
Bank and other borrowings	32	533,264	820,850
		7,974,601	8,372,378
NET CURRENT LIABILITIES		(648,070)	(271,994)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,839,977	1,834,605

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Amounts due to shareholders	29	191,314	446,384
Deferred income	33	19,739	21,206
Deferred tax liabilities	34	15,732	16,376
		226,785	483,966
		1,613,192	1,350,639
CAPITAL AND RESERVES			
Share capital	35	5,627	4,529
Reserves		788,711	581,330
Equity attributable to owners of the Company		794,338	585,859
Non-controlling interests		818,854	764,780
		1,613,192	1,350,639

The consolidated financial statements on pages 64 to 146 were approved and authorized for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Wei Hongwen
CHAIRMAN

Lee Shing
Vice-Chairman and Chief Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 2013	4,524	–	5,233	35,763	28,331	177,251	18,505	268,590	538,197	727,045	1,265,242
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	–	–	–	–	–	–	–	(1,114)	(1,114)	(678)	(1,792)
Dividend paid (note 13)	–	–	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	–	49,443	49,443	58,974	108,417
Other comprehensive income for the year	–	–	2,753	–	–	–	–	–	2,753	–	2,753
Total comprehensive income for the year	–	–	2,753	–	–	–	–	49,443	52,196	58,974	111,170
Forfeit/lapse of share options	–	–	–	–	(901)	–	–	901	–	–	–
Exercise of share options	3	542	–	–	(148)	–	–	–	397	–	397
Dividend paid (note 13)	–	–	–	–	–	–	–	(6,004)	(6,004)	–	(6,004)
Conversion of convertible note	1,095	160,795	–	–	–	–	–	–	161,890	–	161,890
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,900)	(4,900)
Transfers	–	–	–	–	–	3,028	–	(3,028)	–	–	–
Subtotal	1,098	161,337	–	–	(1,049)	3,028	–	(8,131)	156,283	(4,900)	151,383
At 31 December 2014	5,627	162,167	10,341	35,763	16,549	205,532	18,505	339,854	794,338	818,854	1,613,192

notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	142,370	130,439
Adjustments for:		
(Reversal of allowance) allowance for inventories	(12,276)	12,545
Amortization of deferred income	(1,467)	(794)
Bank interest income	(26,047)	(26,032)
Change in fair value of derivative financial instrument	1,282	(7,534)
Change on revaluation of investment properties	(837)	(343)
Depreciation of property, plant and equipment	173,646	159,386
Finance costs	80,417	88,287
Impairment loss on goodwill	5,252	–
Impairment loss on interest in a joint venture	8,224	–
Impairment losses recognized on trade receivables	10,179	11,029
Impairment loss reversed in respect of trade receivables	(71)	(2,131)
Impairment loss on prepaid lease payments	11,450	–
Loss on disposal of property, plant and equipment	10,687	1,509
Loss (gain) on disposal of subsidiaries	–	31
Release of premium on prepaid lease payments	25	25
Release of prepaid lease payments	4,705	4,853
Share of results of joint ventures	1,591	(418)
Operating cash flows before movements in working capital	409,130	370,852
Increase in inventories	(247,462)	(491,437)
Decrease in trade and other receivables	539,777	1,182,810
Net decrease (increase) in bills receivables discounted with recourse	296,695	(110,459)
Increase (decrease) in trade and other payables	216,927	(486,728)
Increase in provision for warranty	5,481	12,197
Cash generated from operations	1,220,548	477,235
Income tax paid	(34,927)	(14,546)
Withholding tax refund	–	6,967
NET CASH FROM OPERATING ACTIVITIES	1,185,621	469,656

	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(1,612,115)	(1,397,917)
Purchase of property, plant and equipment	(178,958)	(220,587)
Deposits paid for acquisition of property, plant and equipment	(381,225)	(209,444)
Addition of prepaid lease payments	(25,200)	(2,032)
Acquisition of/additional interests in joint ventures	(21,850)	(67,685)
Deposits paid for acquisition of land use rights	(7,010)	–
Withdrawal of pledged bank deposits	1,687,940	1,454,500
Bank interest income received	26,047	26,032
Proceeds from disposal of property, plant and equipment	12,390	11,776
Proceeds from government grants	5,405	8,500
Acquisition of additional interest in a subsidiary	–	(1,792)
Disposal of subsidiaries	–	(31)
NET CASH USED IN INVESTING ACTIVITIES	(494,576)	(398,680)
FINANCING ACTIVITIES		
Repayment to a shareholder	(430,095)	(18,711)
Net (decrease) increase in advances drawn on bills receivables discounted with recourse	(349,133)	69,027
Repayment of bank borrowings	(312,818)	(524,464)
Interest paid	(25,841)	(45,935)
Dividend paid	(6,004)	(4,709)
Bank borrowings raised	318,129	284,425
Advance from a related party	3,235	–
Issue of shares upon exercise of share options	397	602
NET CASH USED IN FINANCING ACTIVITIES	(802,130)	(239,765)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,085)	(168,789)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	313,465	483,161
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(628)	(907)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	201,752	313,465

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"). During the year, Wuling HK has converted all CN 2017 (as defined in note 31) which has increased its shareholding of the issued share capital of the Company to approximately 51.3%. Since then, Wuling HK and Liuzhou Wuling has become the immediate holding and ultimate holding company of the Company, respectively. 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. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceed its current assets by approximately RMB648 million (2013: approximately RMB272 million) as at 31 December 2014. 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 bank borrowing facilities of approximately RMB93 million, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

In addition, Liuzhou Wuling has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as and when they fall due in the foreseeable future.

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

3. APPLICATION OF NEW AND 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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)–Int 21	Levies

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.

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

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:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

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

HKFRS 9 "Financial Instruments" (continued)

Key requirements of HKFRS 9 are described below:

- All recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised 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 amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- 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.

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

- The 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 of the Company anticipate that the application of HKFRS 9 in the future do not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for 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 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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.

4. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint ventures (continued)

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

Revenue recognition

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

Revenue 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Properties in the course of construction for production, supply or administrative purposes are carried at 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 properties are included in profit or loss in the period in which they arise.

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

Leasing

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

The Group as lessor

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

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

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

Leasehold land and building

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Borrowing costs

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a 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.

AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets (continued)

Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables discounted with recourse, pledged bank deposits and bank 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.

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

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

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

4. 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.

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

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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

Effective interest method

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

Other financial liabilities

Financial liabilities including trade and other payables, amounts due to shareholders, amount due to a related party 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make 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.

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

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 2014, the carrying amount of property, plant and equipment was approximately RMB1,857,279,000 (2013: RMB1,581,116,000).

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 2014, the carrying amount of trade and bills receivable was approximately RMB4,395,951,000 (net of allowance for doubtful debts of approximately RMB30,611,000) (2013: carrying amount of approximately RMB4,687,931,000 net of allowance for doubtful debts of approximately RMB20,511,000).

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 30, 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 2014, the carrying amount of provision for warranty was approximately RMB164,179,000 (2013: RMB158,698,000).

6. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

	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 2014						
Revenue						
External sales	2,666,249	7,418,056	2,054,239	118	–	12,138,662
Inter-segment sales	760,815	3,527	–	–	(764,342)	–
Total	3,427,064	7,421,583	2,054,239	118	(764,342)	12,138,662
Segment profit (loss)	122,164	109,613	49,233	(13,219)		267,791
Bank interest income						26,047
Change in fair value of derivative financial instrument						(1,282)
Impairment loss on goodwill						(5,252)
Impairment loss on interest in a joint venture						(8,224)
Impairment loss on prepaid lease payments						(11,450)
Central administrative costs						(43,252)
Share of results of joint ventures						(1,591)
Finance costs						(80,417)
Profit before taxation						142,370

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

	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 administrative 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/loss represents the profit earned by/loss incurred by each segment without the allocation of central administrative costs, bank interest income, change in fair value of derivative financial instrument, impairment loss on goodwill, impairment loss on interest in a joint venture, impairment loss on prepaid lease payments, 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.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	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 2014					
Assets					
Segment assets	2,931,721	4,678,604	1,227,495	25,344	8,863,164
Interests in joint ventures					80,138
Available-for-sale investment					22,000
Pledged bank deposits					647,524
Bank balances and cash					201,752
Consolidated assets					9,814,578
Liabilities					
Segment liabilities	2,702,945	3,740,481	1,206,656	18,436	7,668,518
Amounts due to shareholders					191,314
Amounts due to a related party					3,235
Bank borrowings					295,030
Others					43,289
Consolidated liabilities					8,201,386

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (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
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

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

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

6. SEGMENT INFORMATION (continued)

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 2014					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	156,235	351,359	84,790	9	592,393
Depreciation of property, plant and equipment	63,203	103,591	6,745	107	173,646
Release of prepaid lease payments	885	3,820	–	–	4,705
Release of premium on prepaid lease payments	–	25	–	–	25
(Gain) loss on disposal of property, plant and equipment	(45)	10,739	–	(7)	10,687
Reversal of allowance for inventories	(3,566)	(8,710)	–	–	(12,276)
Impairment loss reversed in respect of trade receivables	–	(71)	–	–	(71)
Impairment losses recognized on trade receivables	10,149	30	–	–	10,179
Research and development expenses	23,136	142,041	32,432	–	197,609
Change on revaluation in fair value of investment properties	–	–	–	(837)	(837)

6. 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 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 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)

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

In addition to the depreciation and amortisation reported above, impairment losses of RMB11,450,000 (2013: nil), RMB8,224,000 (2013: nil) and RMB5,252,000 (2013: nil) were recognised in respect of prepaid lease payment, interest in a joint venture and goodwill respectively. These impairment losses were attributable to the following reportable segments:

	RMB'000
Impairment losses recognised for the year in respect of prepaid lease payment:	
Engine and related parts	11,450
Impairment losses recognised for the year in respect of interest in a joint venture:	
Specialised vehicles	8,224
Impairment losses recognised for the year in respect of goodwill:	
Engine and related parts	5,252

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.

	2014 RMB'000	2013 RMB'000
The PRC (excluding Hong Kong)	12,138,544	12,037,209
Hong Kong	118	115
Consolidated	12,138,662	12,037,324

(b) Non-current assets

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

	2014 RMB'000	2013 RMB'000
Hong Kong	8,161	7,462
Philippines	628	628
The PRC (excluding Hong Kong)	2,479,258	2,098,509
	2,488,047	2,106,599

6. SEGMENT INFORMATION (continued)

Information about a major customer

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

	2014 RMB'000	2013 RMB'000
Engines and related parts	1,789,259	2,033,633
Automotive components and other industrial services	6,000,569	5,419,246
Specialized vehicles	2,189	21,796
	7,792,017	7,474,675

7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

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

	2014 RMB'000	2013 RMB'000
Sales of:		
— Engines	2,588,829	3,250,439
— Engines related parts	77,420	116,186
— Automotive components and accessories	6,456,769	5,743,543
— Specialized vehicles	2,054,239	2,012,641
Trading of raw materials	734,115	684,874
Provision of water and power supply	227,172	229,526
	12,138,544	12,037,209
Gross property rental income from investment properties	118	115
	12,138,662	12,037,324

7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES (continued)

(b) Details of other income are as follows:

	2014 RMB'000	2013 RMB'000
Sales of scrap materials and parts	778	6,316
Bank interest income	26,047	26,032
Service income on repairs and maintenance	6,667	5,325
Machinery and other property rental income	1,690	921
Amortization of deferred income	1,467	794
Trading of timber	421	239
Government grants	8,429	2,894
Gain on sale of an internally developed intellectual property	2,906	–
Others	3,297	2,160
	51,702	44,681

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

	2014 RMB'000	2013 RMB'000
Change in fair value of derivative financial instrument	(1,282)	7,534
Impairment loss reversed in respect of trade receivables	71	2,131
Impairment loss on interest in a joint venture	(8,224)	–
Gain on revaluation of investments properties	837	343
Foreign exchange (losses) gains, net	(46)	93
Loss on disposal of property, plant and equipment	(10,687)	(1,509)
Loss on disposal of subsidiaries (note 45)	–	(31)
Impairment losses recognized on trade receivables	(10,179)	(11,029)
Impairment loss on goodwill (note 21)	(5,252)	–
Impairment loss on prepaid lease payments (note 16)	(11,450)	–
	(46,212)	(2,468)

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interests on:		
— amount due to a related party (note 29)	269	–
— amounts due to shareholders (note 29)	2,349	16,636
— borrowings wholly repayable within five years	16,015	24,475
— borrowings not wholly repayable within five years	33	36
— advances drawn on bills receivables (note)	57,248	38,231
— convertible loan notes (note 31)	4,503	8,909
	80,417	88,287

note: During the year ended 31 December 2014, interest of RMB28,681,000 (2013: RMB10,347,000) was paid to a shareholder in respect of bills discounted to that shareholder. Details of provision of facility are set out in note 42(vi).

9. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	29,584	28,152
Withholding tax on dividend distribution	874	(6,079)
Underprovision in prior years	4,139	9,321
	34,597	31,394
Deferred tax (note 34)		
Current year	(644)	1,050
Effect of change in tax rate	–	(8,039)
	(644)	(6,989)
	33,953	24,405

9. 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, 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 2013 and 2014. The Catalogue setting out the qualifying industries has not been issued yet up to the end of the reporting period.

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. In prior years, 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 during the year ended 31 December 2013.

During the year, deferred tax of RMB3,381,000 (2013: RMB2,227,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss accordingly, during the year.

9. INCOME TAX EXPENSE (continued)

Hong Kong

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

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

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	142,370	130,439
Tax at the domestic income tax rate of 15% (note)	21,356	19,566
Tax effect of share of results of joint ventures	239	(63)
Tax effect of expenses not deductible for tax purposes	8,571	6,479
Tax effect of income not taxable for tax purposes	(5,139)	(8,715)
Tax effect of deductible temporary difference not recognized	541	4,077
Tax effect of utilization of tax losses previously not recognized	(1,706)	–
Tax effect of tax losses not recognized	2,071	5,465
Tax effect of undistributed profits of PRC subsidiaries	3,381	2,227
Refund of withholding tax paid in previous year	–	(6,967)
Effect of different tax rates of subsidiaries	500	1,054
Decrease in deferred tax liability resulting from a decrease in applicable tax rate	–	(8,039)
Underprovision in prior years	4,139	9,321
Income tax expense for the year	33,953	24,405

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 34.

10. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' emoluments (note 11)	6,066	5,789
Other staff costs:		
Salaries, bonus and other benefits	698,975	729,365
Retirement benefit scheme contributions, excluding directors	61,059	53,364
Total staff costs	766,100	788,518
Gross property rental income from investment property	(118)	(115)
Less: direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	–	1
Net rental income	(118)	(114)
Auditor's remuneration	1,570	1,596
Cost of inventories recognized as an expense (note)	10,764,941	10,777,875
Depreciation of property, plant and equipment	173,646	159,386
Release of prepaid lease payments (included in general and administrative expenses)	4,705	4,853
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)	197,609	112,598
Transportation costs (included in selling and distribution costs)	191,619	171,104

note: Included in arriving at cost of inventories is an amount of RMB12,276,000 recognized as reversal of allowance for inventories (2013: an allowance for inventories of RMB12,545,000).

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

		Other emoluments		
	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits schemes RMB'000	Total emoluments RMB'000
2014				
Wei Hongwen	174	770	72	1,016
Lee Shing (note)	1,189	318	13	1,520
Sun Shaoli	186	768	72	1,026
Zhong Xianhua	170	618	72	860
Liu Yaling	170	15	–	185
Zhou Sheji	170	887	13	1,070
Yu Xiumin	114	–	–	114
Zuo Duofu	114	–	–	114
Ye Xiang	161	–	–	161
	2,448	3,376	242	6,066
2013				
Wei Hongwen	172	405	54	631
Lee Shing (note)	1,202	232	12	1,446
Sun Shaoli	201	1,245	54	1,500
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

note: 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.

12. EMPLOYEES' EMOLUMENTS

(a) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2013: four) were directors and the chief executive officer of the Company whose emolument is included in the disclosure in note 11 above. The emolument of the remaining one (2013: one) individual is as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	1,005	975
Bonus	116	113
Contributions to retirement benefits schemes	22	12
Total emolument	1,143	1,100

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 2014 and 2013.

(b) Emoluments of senior management

Other than the directors of the Company, of the nine (2013: nine) senior management of the Group for the year ended 31 December 2014, one (2013: one) of the senior management is one of the top five highest paid individuals and the respective remuneration has been disclosed in Note 12(a).

The emoluments of the remaining eight (2013: eight) individuals for the year were within the following bands:

	2014 Number of employees	2013 Number of employees
RMB1 to RMB500,000	3	5
RMB500,001 to RMB1,000,000	5	3
	8	8

13. DIVIDEND

	2014 RMB'000	2013 RMB'000
Dividends recognized as distribution during the year:		
2013 Final dividend of HKD0.5 cent (2013: 2012 final dividend of HKD0.5 cent) per share	6,004	4,709

Subsequent to the end of the reporting period, a final dividend of HKD0.5 cent per share amounting to approximately HKD7,590,000 (or equivalent to RMB5,958,000) in respect of the year ended 31 December 2014 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2014 RMB'000	2013 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit of the year attributable to owners of the Company)	49,443	50,528
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	–	6,147
Change in fair value of derivative financial instrument	–	(7,534)
Earnings for the purpose of diluted earnings per share	49,443	49,141

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,384,319	1,171,192
Effect of dilutive potential ordinary shares:		
Convertible loan notes	–	136,986
Share options	5,612	6,244
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,389,931	1,314,422

No adjustment for convertible loan notes was made in calculating diluted earnings per share for the year ended 31 December 2014 as the conversion of convertible loan notes would result in increase in earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
AT COST								
At 1 January 2013	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
Exchange adjustments	–	(1)	–	(1)	–	2	–	–
Additions	31,760	–	128,997	35,948	17,630	8,476	250,076	472,887
Disposals	(16,056)	–	(28,972)	(25,759)	(4,803)	(4,622)	–	(80,212)
Transfer	119,112	–	115,934	29,086	–	14	(264,146)	–
At 31 December 2014	560,372	353	1,384,627	150,223	39,033	30,860	285,617	2,451,085
ACCUMULATED DEPRECIATION								
At 1 January 2013	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
Exchange adjustments	–	(1)	–	(2)	1	3	–	1
Provided for the year	24,099	71	107,885	30,687	5,791	5,113	–	173,646
Eliminated on disposals	(4,087)	–	(23,163)	(23,146)	(3,261)	(3,478)	–	(57,135)
At 31 December 2014	72,756	165	463,814	31,754	10,766	14,551	–	593,806
CARRYING VALUE								
At 31 December 2014	487,616	188	920,813	118,469	28,267	16,309	285,617	1,857,279
At 31 December 2013	372,812	259	789,576	86,734	17,971	14,077	299,687	1,581,116

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 2014, the Group received government subsidy of RMB5,405,000 (2013: RMB8,500,000) 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.

16. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
At 1 January	216,423	194,044
Additions	25,200	27,232
Impairment loss recognized during the year (note)	(11,450)	–
Released to profit or loss	(4,705)	(4,853)
At 31 December	225,468	216,423
Analyzed as:		
Current portion	4,956	4,731
Non-current portion	220,512	211,692
	225,468	216,423

note: During the year, the directors of the Company conducted a review of the recoverable amount of land leases of Jilin Chuofeng (as defined at note 21) and determined that one of the land lease was impaired, due to cease of operation of Jilin Chuofeng. Management determined that the fair value less costs to sell of the land lease is less than its carrying amount. Accordingly, an impairment loss of RMB11,450,000 was recognized in profit or loss. The estimated fair value less costs to sell is determined by reference to the recent market prices for similar assets.

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

17. PREMIUM ON PREPAID LEASE PAYMENTS

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

18. INVESTMENT PROPERTIES

	2014 RMB'000	2013 RMB'000
FAIR VALUE		
At 1 January	7,130	7,024
Exchange realignment	(31)	(237)
Increase in fair value recognized in profit or loss	837	343
At 31 December	7,936	7,130

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 2014 and 31 December 2013 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 ranged from RMB5,417 to RMB5,952 and RMB1,995 to RMB2,503 (2013: 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 property and vice versa.

The fair value hierarchy of the Group's investment properties as at 31 December 2014 are categorised as level 3.

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

19. 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.

20. INTERESTS IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Cost of unlisted investments in joint ventures	89,535	67,685
Share of post-acquisition results	(1,173)	418
Impairment loss (note)	(8,224)	–
	80,138	68,103

Note: During the year ended 31 December 2014, an impairment loss of RMB8,224,000 was made in respect of the Group's interests in Qingdao Dianshi Motor Accessories Company Limited ("Qingdao Dianshi"). The impairment loss arose due to the worse than expected operating results of Qingdao Dianshi during the current year.

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

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2014	2013	2014	2013	
Qingdao Dianshi	PRC	51% (note)	51% (note)	51%	51%	Manufacture of automotive accessories
Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang")	PRC	50%	50%	50%	50%	Manufacture of automotive accessories
Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte")	PRC	51% (note)	51% (note)	51%	51%	Manufacture of engines

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

Summarized financial information of material joint ventures

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

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

20. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of material joint ventures (continued)

	For the year ended 31 December 2014				For the year ended 31 December 2013			
	Qingdao Dianshi RMB'000	Guangxi Weixiang RMB'000	Liuzhou Lingte RMB'000	Total RMB'000	Qingdao Dianshi RMB'000	Guangxi Weixiang RMB'000	Liuzhou Lingte RMB'000	Total RMB'000
Financial information of consolidated statement of profit or loss and other comprehensive income								
Revenue	53,562	338,434	–	391,996	70,691	–	–	70,691
Profit (loss) for the year	192	1,342	(4,628)	(3,094)	820	–	–	820
Total comprehensive income (expense) for the year	192	1,342	(4,628)	(3,094)	820	–	–	820
Profit (loss) for the year, attributable to the Group	98	671	(2,360)	(1,591)	418	–	–	418
Total comprehensive income (expense) for the year, attributable to the Group	98	671	(2,360)	(1,591)	418	–	–	418
Dividends received from joint ventures during the year	–	–	–	–	–	–	–	–
The above financial information include the following:								
Depreciation and amortization	(1,557)	(735)	(5,095)	(7,387)	(736)	(922)	(295)	(1,953)
Interest income	4	49	124	177	5	–	–	5
Income tax expense	(140)	(178)	–	(318)	(273)	–	–	(273)

20. INTERESTS IN JOINT VENTURES (continued)

Summarized financial information of material joint ventures (continued)

	2014				2013			
	Qingdao Dianshi RMB'000	Guangxi Weixiang RMB'000	Liuzhou Lingte RMB'000	Total RMB'000	Qingdao Dianshi RMB'000	Guangxi Weixiang RMB'000	Liuzhou Lingte RMB'000	Total RMB'000
Financial information of consolidated statement of financial position								
Non-current assets	15,592	9,121	74,310	99,023	7,585	222	11,366	19,173
Current assets	22,431	210,020	42,665	275,116	35,674	119,558	50,593	205,825
Current liabilities	(29,639)	(167,799)	(63)	(197,501)	(35,092)	(71,550)	–	(106,642)
Net assets of the joint ventures	8,384	51,342	116,912	176,638	8,167	48,230	61,959	118,356
The above amounts of assets and liabilities include the following:								
Cash and cash equivalents	817	9,702	24,788	35,307	1,010	49,138	46,858	97,006
Current financial liabilities (excluding trade and other payables and provisions)	(182)	(185)	–	(367)	(113)	(31)	–	(144)
Reconciliation to the carrying amounts of interest in the joint ventures:								
Net assets attributable to the equity holders of the joint ventures	8,384	51,342	116,912	176,638	8,167	48,230	61,959	118,356
Less: Capital reserve not shared by the Group	–	–	(18,500)	(18,500)	–	–	(10,000)	(10,000)
Proportion of the Group's ownership interests in the joint ventures	51%	50%	51%	varies	51%	50%	51%	varies
Net assets of interest in joint ventures attributable to the Group	4,277	25,671	50,190	80,138	4,165	24,115	31,599	59,879
Goodwill	8,224	–	–	8,224	8,224	–	–	8,224
Impairment losses of interests in joint ventures	(8,224)	–	–	(8,224)	–	–	–	–
Carrying amount of the Group's interests in the joint ventures	4,277	25,671	50,190	80,138	12,389	24,115	31,599	68,103

21. GOODWILL

The entire goodwill as at 31 December 2013 was attributable to the acquisition of 75% equity interest in Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") in prior years as a cash generating unit ("CGU").

During the year ended 31 December 2014, management of the Group determines that the entire goodwill of the Group to this CGU to be fully impaired as Jilin Chuofeng has cased its operations in June 2014 and is pending for deregistration.

22. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

The amount represented the deposit paid to Chongqing Zhaotong Municipal Administration Bureau of Land Resources and Housing for acquisition of land use rights located in the Chongqing as disclosed in note 48(b). The acquisition was completed in February 2015.

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

Details of the related capital commitments are set out in note 37.

24. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	414,886	292,573
Work in progress	84,831	65,195
Finished goods	949,429	831,640
	1,449,146	1,189,408

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

(i) Trade and other receivables

	Notes	2014 RMB'000	2013 RMB'000
Trade and bills receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	(a)	3,266,927	3,162,555
— Liuzhou Wuling Group	(b)	4,281	5,017
— Guangxi Weixiang		8,053	–
— third parties		1,147,301	1,540,870
		4,426,562	4,708,442
Less: Allowance for doubtful debts		(30,611)	(20,511)
		4,395,951	4,687,931
Other receivables:			
Prepayments for expenses		2,324	1,466
Prepayments for purchase of raw materials	(c)	287,967	497,604
Value-added tax recoverable		47,057	101,860
Others		50,954	43,809
		388,302	644,739
Bills receivables discounted with recourse (note 25(ii))		238,900	535,595
Total trade and other receivables		5,023,153	5,868,265

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 RMB68,853,000 (2013: RMB115,233,000) paid to SGMW.

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

25. 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 RMB4,395,951,000 (2013: RMB4,687,931,000) 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:

	2014 RMB'000	2013 RMB'000
0 to 90 days	3,062,387	3,412,032
91 to 180 days	1,295,407	1,254,741
181–365 days	20,403	17,167
Over 365 days	17,754	3,991
	4,395,951	4,687,931

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 RMB79,135,000 (2013: RMB34,971,000) 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

	2014 RMB'000	2013 RMB'000
91–180 days	40,978	13,813
181–365 days	20,403	17,167
Over 365 days	17,754	3,991
Total	79,135	34,971

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

(i) Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2014 RMB'000	2013 RMB'000
At 1 January	20,511	11,631
Impairment losses recognized on trade receivables	10,179	11,029
Amounts written off as uncollectible	–	(51)
Amounts recovered during the year	(71)	(2,131)
Exchange adjustments	(8)	33
At 31 December	30,611	20,511

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB30,611,000 (2013: RMB20,511,000) 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 (2013: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 32.

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

	2014 RMB'000	2013 RMB'000
91–180 days	238,900	535,595

26. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2014 and 2013 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 32). 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:

	2014 RMB'000	2013 RMB'000
Carrying amount of transferred assets	238,900	535,595
Carrying amount of associated liabilities	(238,234)	(530,119)
Net position	666	5,476

27. PLEDGED BANK DEPOSITS/BANK BALANCES

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

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

	Fixed/variable	2014	2013
Pledged deposits	Fixed	2%–3%	2%–3.05%
Bank balances	Variable	0.01%–1.15%	0.001%–1.15%

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

	2014 RMB'000	2013 RMB'000
Hong Kong dollars ("HKD")	825	649
United States dollars ("USD")	30	1,439

28. TRADE AND OTHER PAYABLES

	notes	2014 RMB'000	2013 RMB'000
Trade and bills payables:			
— SGMW		43,110	97,140
— Liuzhou Wuling Group		51,729	28,495
— Qingdao Dianshi		2,279	18,631
— third parties		6,237,665	6,283,760
	(i)	6,334,783	6,428,026
Other payables and accruals	(ii)	911,583	603,239
Total trade and other payables		7,246,366	7,031,265

notes:

(i) Included in trade and other payables are trade and bills payables of RMB6,334,783,000 (2013: RMB6,428,026,000) and an aged analysis based on the invoice date is presented as follows:

	2014 RMB'000	2013 RMB'000
0 to 90 days	4,605,521	4,866,235
91 to 180 days	1,655,607	1,481,024
181 to 365 days	34,443	17,831
Over 365 days	39,212	62,936
	6,334,783	6,428,026

(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.

29. AMOUNTS DUE TO SHAREHOLDERS/A RELATED PARTY

	notes	2014 RMB'000	2013 RMB'000
Amounts due to shareholders			
Liuzhou Wuling	(i)	191,314	615,682
Wuling HK	(ii)	–	79,985
		191,314	695,667
Carrying amount repayable:			
On demand or within one year		–	249,283
More than one year, but not exceeding two years		191,314	446,384
		191,314	695,667
Less: Amounts due within one year shown under current liabilities		–	(249,283)
Amounts shown under non-current liabilities		191,314	446,384
Amount due to a related party	(iii)	3,235	–

29. AMOUNTS DUE TO SHAREHOLDERS/A RELATED PARTY (continued)

notes:

(i) The entire balance is unsecured, interest-free and repayable one year after the end of the reporting period (2013: other than amount of RMB446,384,000 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% per annum.

(iii) The amount represents amount due to Jenpoint Limited ("Jenpoint"), an entity controlled by Mr. Lee Shing ("Mr. Lee"), the Chief Executive Officer of the Company. The amount was interest bearing at 4.25% per annum, unsecured and repayable on demand and denominated in HKD.

30. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2013	146,501
Additional provision in the year	60,667
Utilization of provision	(48,470)
At 31 December 2013	158,698
Additional provision in the year	44,031
Utilization of provision	(38,550)
At 31 December 2014	164,179

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.

31. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

(a) CN 2014

On 12 January 2009, the Company issued convertible loan notes with an aggregate principal sum of HKD100,000,000 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 HKD0.74 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 HKD0.74 per share to HKD0.73 per share with effect from 12 March 2010.

CN 2014 contains 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.

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

(a) CN 2014 (continued)

CN2014 has been redeemed at par after the maturity date on 28 January 2014, as the repayment of the outstanding principal was mutually agreed to be postponed.

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

	2014 RMB'000	2013 RMB'000
At 1 January	83,228	81,869
Effective interest expense	499	8,909
Interest paid	(4,958)	(4,788)
Repayment of principal	(79,159)	–
Exchange difference	390	(2,762)
At 31 December	–	83,228

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

	2014 RMB'000	2013 RMB'000
At 1 January	–	7,534
Change in fair value during the year	–	(7,534)
At 31 December	–	–

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.

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

(a) CN 2014 (continued)

(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 ("RHL"), an independent professional qualified valuers not connected with the Group as of 31 December 2013. The inputs into the model as at 31 December 2013 were as follows:

	2013
Share price	HKD0.56
Conversion price	HKD0.73
Expected dividend yield	0.942%
Volatility	37.545%

(b) CN 2017

On 28 January 2014, the Company issued convertible loan notes with an aggregate principal sum of HKD200,000,000 at par (equivalent to approximately RMB157,200,000) 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 day commencing from 28 January 2014 upto the fifth business days prior to the maturity date, at a conversion price of HKD0.58 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2017 will be redeemed on the maturity date at par.

The principal sum of CN 2017 was settled by setting off against the principal amount of HKD100,000,000 of CN 2014, as defined in note 31(a) and amount due to a shareholder of HKD100,000,000.

The fair values of the liability component and conversion option derivative component at initial recognition of HKD175,737,000 (approximately RMB138,129,000) and HKD51,573,000 (approximately RMB40,689,000) respectively are determined based on a valuation provided by RHL. Subsequent to initial recognition, the liability component is carried at amortized cost using the effective interest method at an interest rate of 9.22% per annum.

During the year, the entire amount of CN 2017 was converted into 344,827,586 ordinary shares of the Company at the conversion price of HKD0.58 per share.

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

(b) CN 2017 (continued)

The movement of the liability and conversion option derivative components of CN 2017 during the year is as follows:

	Liability component RMB'000	Conversion option derivative component RMB'000
At date of issue	138,129	19,071
Effective interest expense	4,004	–
Change in fair value during the year	–	1,282
Interest paid	(2,225)	–
Conversion during the year	(141,337)	(20,553)
Exchange difference	1,429	200
At 31 December 2014	–	–

The methods and assumptions applied for the valuation of CN 2017 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield of 9.05%, 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 derivative component was measured at fair value using the Binomial Option Pricing Model by RHL on initial recognition and at the date of conversion. The inputs into the model as at the respective dates are as follows:

	At date of conversion	At date of issue
Share price	HKD0.44	HKD0.49
Conversion price	HKD0.58	HKD0.58
Expected dividend yield	0.959%	0.942%
Volatility	35.40%	39.92%

32. BANK AND OTHER BORROWINGS

	notes	2014 RMB'000	2013 RMB'000
Secured		184,825	43,205
Unsecured		110,205	247,526
		295,030	290,731
Advances drawn on bills receivables discounted with recourse	(i)	238,234	530,119
		533,264	820,850
Carrying amount repayable on demand or within one year	(ii)	532,251	819,877
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)		913	973
Amount due within one year shown under current liabilities		533,264	820,850

notes:

(i) The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 25(ii)).

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

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

	2014 RMB'000	2013 RMB'000
Fixed-rate borrowings — on demand or within one year	488,234	777,645
Variable-rate borrowings — on demand or within one year	44,117	42,232
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)	913	973
	45,030	43,205
Total borrowings	533,264	820,850

(iv) At 31 December 2014, except for bank borrowings of RMB33,912,000 (2013: RMB43,205,000) and nil (2013: RMB526,000) which were denominated in HKD and Euro, respectively, all the Group's bank borrowings were denominated in RMB.

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

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	3.5% to 6.00%	4.5% to 7.22%
Variable-rate borrowings	2.18%	2.31%

(vi) The collaterals for the Group's secured bank borrowings are set out in note 38.

(vii) The Group's unsecured bank borrowings and bills payables are supported by corporate guarantee to the extent of RMB3,500,000,000 (2013: RMB600,000,000) given by Liuzhou Wuling.

33. DEFERRED INCOME/DEPOSITS PAID FOR ACQUISITION OF AN EQUITY INVESTMENT/AVAILABLE-FOR-SALE INVESTMENT

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

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

34. 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 2013	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
Released upon distribution of dividends	–	–	–	(874)	(874)
(Credit) charge to profit or loss	(2)	(3,151)	2	3,381	230
At 31 December 2014	–	3,858	(9)	11,883	15,732

34. DEFERRED TAX LIABILITIES (continued)

notes:

(i) At the end of the reporting period, the Group had unused tax losses of RMB203,614,000 (2013: RMB201,117,000). A deferred tax asset has been recognized in respect of tax losses of RMB62,000 (2013: RMB73,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB203,552,000 (2013: RMB201,044,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB46,456,000 (2013: RMB73,473,000) 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 RMB58,151,000 (2013: RMB54,544,000).

(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.

35. SHARE CAPITAL

	Number of shares	Amount HKD'000
Authorized:		
Ordinary shares of HKD0.004 each	25,000,000,000	100,000
Convertible preference shares of HKD0.001 each	1,521,400,000	1,521
Balance at 1 January 2013, 31 December 2013 and 31 December 2014		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2013	1,170,605,390	4,683
Exercise of share options (note)	1,560,000	6
At 31 December 2013	1,172,165,390	4,689
Exercise of share options (note)	1,000,000	4
Conversion of convertible loan notes	344,827,586	1,379
At 31 December 2014	1,517,992,976	6,072

	2014 RMB'000	2013 RMB'000
Shown in the consolidated financial statements at the end of the reporting period as	5,627	4,529

note: During the year, 1,000,000 (2013: 1,560,000) ordinary shares of the Company of HKD0.004 each were issued upon the exercise of 1,000,000 (2013: 1,560,000) share options with proceeds of HKD490,000 (equivalent to RMB397,000) (2013: HKD764,000 (equivalent to RMB602,000)).

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

36. 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.

36. 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

HKD1.00

Period within which payments/calls/loans must be made/repaid

Not applicable.

Basis of determining the exercise price

Determined by the directors of the Company at their discretion and shall not be lower than the highest of:

(a) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day;

(b) the average closing price of the ordinary shares on the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of an ordinary share.

The remaining life of the scheme

The 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.

36. 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 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	HKD1.062	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	HKD1.062	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	HKD1.062	21,184,193	(21,184,193)	–	–
Total				30,353,129	(29,547,068)	(806,061)	–
Weighted average exercise price				HKD1.062	HKD1.062	HKD1.062	N/A

notes:

(i) All outstanding share options were granted on 29 December 2009 and their original initial exercise price is HKD1.07 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 HKD1.062 per share.

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

36. 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

151,799,298 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.

36. 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

HKD1.00

Period within which payments/calls/loans must be made/repaid

Not applicable.

Basis of determining the exercise price

Determined by the directors of the Company at their discretion and shall not be lower than the highest of:

(a) the closing price of the ordinary shares on the Stock Exchange at the offer date, which must be a trading day;

(b) the average closing price of the ordinary shares on the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of an ordinary share.

The remaining life of the scheme

The 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.

36. SHARE OPTION SCHEME (continued)

(b) New Share Option Scheme (continued)

(ii) 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 2014

				Number of share options			
Date of grant	Vesting date	Exercise period	Exercise price per share	As at 1 January 2014	Exercised during the year	Forfeited during the year (note)	As at 31 December 2014
Directors							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	18,000,000	–	–	18,000,000
Employees (Continuous Contracts)							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	85,240,000	(1,000,000)	(6,000,000)	78,240,000
29 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	450,000	–	–	450,000
				85,690,000	(1,000,000)	(6,000,000)	78,690,000
Total				103,690,000	(1,000,000)	(6,000,000)	96,690,000
Exercisable at year end							96,690,000
Weighted average exercise price				HKD0.49	HKD0.49	HKD0.49	HKD0.49

36. SHARE OPTION SCHEME (continued)

(b) New Share Option Scheme (continued)

(ii) 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: (continued)

For the year ended 31 December 2013

				Number of share options			
Date of offer	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	HKD0.49	18,000,000	–	–	18,000,000
Employees (Continuous Contracts)							
15 June 2012	5 October 2012	From 6 October 2012 to 30 June 2016	HKD0.49	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	HKD0.49	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				HKD0.49	HKD0.49	HKD0.49	HKD0.49

Note: During the year ended 31 December 2013 and 2014, certain employees of the Group resigned. Their respective share options were forfeited accordingly.

Included in the share options held by the employees were 1,600,000 share options (2013: 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 HKD0.49 (2013: HKD0.44).

37. CAPITAL AND OTHER COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— construction in progress	157,700	207,782
— property, plant and equipment	273,465	133,644
	431,165	341,426

38. 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:

	2014 RMB'000	2013 RMB'000
Bank deposits	647,524	723,349
Investment properties	4,168	3,703
	651,692	727,052

As at 31 December 2014, bills receivables discounted with full recourse amounting to RMB238,900,000 (2013: RMB535,595,000).

39. 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 RMB62,384,000 (2013: RMB53,550,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

40. NON-CASH TRANSACTIONS

During the year ended 31 December 2014, deposits paid for acquisition of property, plant and equipment of RMB299,334,000 (2013: RMB246,860,000) were transferred to property, plant and equipment.

41. OPERATING LEASES

The Group as lessor

Property rental income from investment properties earned during the year was RMB118,000 (2013: RMB115,000). One of the Group's investment properties is held for rental purpose. It is expected to generate rental yields of 5% (2013: 5%) on an ongoing basis. The property held has committed tenants for the next year (2013: next year).

Machinery and other property rental income earned during both years are disclosed in note 7(b). At 31 December 2014 and 2013, 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:

	2014 RMB'000	2013 RMB'000
Within one year	170	578
In the second to fifth year inclusive	–	186
	170	764

The Group as lessee

Minimum lease payments made under operating leases during the year was RMB35,259,000 (2013: RMB42,414,000).

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:

	2014 RMB'000	2013 RMB'000
Within one year	34,482	30,341
In the second to fifth year inclusive	824	29,498
	35,306	59,839

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.

42. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2014 RMB'000	2013 RMB'000
SGMW	Sales by the Group (note 6)	7,792,017	7,474,675
	Purchases of materials by the Group	1,692,714	1,946,151
	Warranty costs incurred by the Group	3,161	25,946
	Service income for warehouse management and related services	1,776	–
Liuzhou Wuling Group	Sales of:		
	Raw materials and automobile components by the Group (note)	341,421	315,198
	Provision of water and power supply services by the Group (note)	2,913	1,994
		344,334	317,192
	Purchase of:		
	Automobiles components and other accessories by the Group (note)	174,968	86,460
	Mini passenger buses by the Group (note)	290,660	302,295
	Air-conditioning parts and accessories by the Group (note)	6,904	8,843
	Electronic devices and components by the Group (note)	9,297	8,223
		481,829	405,821
	License fee paid by the Group (note)	1,300	1,300
	Rental expenses paid by the Group (see vii below) (note)	24,597	28,198
	Interest expenses paid by the Group on		
	— Amount due to a shareholder	2,349	16,636
	— Advances drawn on bills receivables (see vi below)	28,681	10,347
	Acquisition of additional interest in a subsidiary	–	1,792
Qingdao Dianshi	Purchase of automobiles components and other accessories by the Group	53,150	70,689
Guangxi Weixiang	Sales of raw materials and automobile components by the Group	53,609	–
	Purchase of automobiles components and other accessories by the Group	20,091	–

Note: These transactions are considered as continuing connected transactions under the Rule Governing the Listing of Securities on the Stock Exchange. Details of these continuing connected transactions are described in the Report of the Director under the heading "Continuing Connected Transactions" on pages 58 to 60 of this report.

42. RELATED PARTY DISCLOSURES (continued)

(ii) Related party balances

Details of the Group's outstanding balances with related parties are set out in notes 25, 28 and 29.

(iii) Guarantees provided

The guarantees provided to the Group and by Liuzhou Wuling are set out in note 32(vii).

(iv) Compensation of key management personnel

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

	2014 RMB'000	2013 RMB'000
Short-term benefits	10,726	9,828
Post-employment benefits	1,082	1,013
	11,808	10,841

(v) Convertible loan notes

Details of the convertible loan notes issued to Wuling HK in 2009 and 2014 are set out in note 31.

(vi) 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 RMB1,000,000,000 (2013: RMB2,000,000,000). The discounting rate per annum was the lower of 90% of market discounting rate or a fixed rate of 3.5% for both years. During the year, the Group discounted bills receivables of RMB2,576,000,000 (2013: RMB858,600,000) to Liuzhou Wuling with a maturity period less than 180 days and at an average discount rate of 3.5% per annum.

(vii) 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:

	2014 RMB'000	2013 RMB'000
Within one year	33,069	29,498
In the second to fifth year inclusive	–	29,498
	33,069	58,996

43. 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 29 and 32 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.

44. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,535,081	6,839,744
Available-for-sale investment	22,000	–
Financial liabilities		
Amortized cost	7,309,825	8,123,459

(ii) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, bills receivables discounted with recourse, pledged bank deposits, bank balances, trade and other payables, amounts due to shareholders, amount due to a related party, bank and other borrowings 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.

44. FINANCIAL INSTRUMENTS (continued)

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

(a) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Approximately 0.2% of the Group's sales are denominated in currencies other than the functional currency of the relevant group entities making the sale, whilst almost 99.8% of costs are denominated in the relevant group entity's functional currency.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies at the end of the reporting period is as follows:

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
HKD	825	11,377	37,147	218,931
USD	30	1,439	–	–
Euro	–	–	–	526

Sensitivity analysis

The Group is mainly exposed to HKD, USD and Euro.

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

	2014 RMB'000	2013 RMB'000
Impact on post-tax profit		
— HKD	1,544	8,821
— USD	(1)	(61)
— Euro	–	22
	1,543	8,782

44. 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, amount due to a related party, 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 2014 would decrease by RMB188,000 (2013: RMB180,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

44. FINANCIAL INSTRUMENTS (continued)

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

(c) Credit risk

As at 31 December 2014, 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.

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 25) which represents 74% (2013: 67%) of the total trade and bills receivables as at 31 December 2014. 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 representative in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

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

(d) Liquidity risk

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

The Group relies on advances from a shareholder and also bank borrowings as significant sources of liquidity.

The Group is exposed to liquidity risk to being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of the Group as at 31 December 2014 was RMB648,070,000 (2013: RMB271,994,000). In view of this, the directors of the Company have given careful consideration to the future liquidity of the Group and details of which are set out in note 2.

44. 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
2014								
Non-derivative financial liabilities								
Trade and other payables	–	4,332,458	645,171	1,604,383	–	–	6,582,012	6,582,012
Amount due to a related party								
— fixed rate	4.25	3,151	–	–	–	–	3,151	3,140
— non-interest bearing	–	95	–	–	–	–	95	95
Amounts due to shareholders								
— fixed rate	–	–	–	–	191,314	–	191,314	191,314
Bank borrowings								
— fixed rate	4.50	251,834	–	–	–	–	251,834	250,913
— variable rate	2.18	44,196	–	–	–	–	44,196	44,117
Other borrowings								
— advances drawn on bills receivables discounted with recourse	4.83	–	–	246,813	–	–	246,813	238,234
		4,631,734	645,171	1,851,196	191,314	–	7,319,415	7,309,825

44. 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
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

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 2014, the aggregate undiscounted principal amounts of these bank loans amounted to RMB913,000 (2013: RMB973,000). 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 RMB1,127,000 (2013: RMB1,222,000).

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.

44. FINANCIAL INSTRUMENTS (continued)

(iii) Fair value measurements of financial instruments

Fair value of financial instruments that are recorded at amortized cost

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

45. DISPOSAL OF SUBSIDIARIES

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 HKD8 (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 ended 31 December 2013 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 2014 and 2013 are as follows:

	note	2014 RMB'000	2013 RMB'000
TOTAL ASSETS			
Property, plant and equipment		188	260
Unlisted investments in subsidiaries		494,820	494,820
Prepayments and deposits		2,135	1,341
Cash and cash equivalents		14,090	18,574
		511,233	514,995
TOTAL LIABILITIES			
Other payables and accruals		3,085	6,711
Amounts due to subsidiaries		35,163	44,569
Amounts due to shareholders		–	79,986
Amount due to a related party		3,235	–
Convertible loan notes		–	83,228
Bank borrowings		33,912	30,728
		75,395	245,222
NET ASSETS		435,838	269,773
CAPITAL AND RESERVES			
Share capital		5,627	4,529
Reserves	(i)	430,211	265,244
TOTAL EQUITY		435,838	269,773

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

note:

(i) Reserves

	Share premium RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	–	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
Profit and total comprehensive income for the year	–	–	–	9,782	9,782
Exercise of share options	542	–	(148)	–	394
Forfeit/lapse of share options	–	–	(901)	901	–
Conversion of convertible note	160,795	–	–	–	160,795
Dividend recognized as distribution	–	–	–	(6,004)	(6,004)
At 31 December 2014	162,167	94,381	16,549	157,114	430,211

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 2014 and 2013 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				Principal activities
				2014		2013		
				Direct %	Indirect %	Direct %	Indirect %	
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

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 2014 Direct %	Interest holdings 2014 Indirect %	Interest holdings 2013 Direct %	Interest holdings 2013 Indirect %	Principal activities
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)	RMB100,125,389	–	50.98 (note ii)	–	50.98 (note ii)	Manufacture and sale of petrol engines and motor cycles engines
無錫五菱動力機械有限責任公司	N/A	The PRC 15 July 2005 (note iii)	RMB6,000,000	–	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)	RMB25,000,000	–	26 (note ii)	–	26 (note ii)	Manufacture and sale of accessories of motor vehicles
吉林緯豐柳機內燃機有限公司	N/A	The PRC 31 March 2012 (note iii)	RMB38,000,000	–	38.24 (note ii)	–	38.24 (note ii)	Manufacture and sale of combustion engines
柳州卓通汽車零部件有限公司	N/A	The PRC 21 November 2013 (note iii)	RMB10,000,000	–	50.98 (note ii)	–	50.98 (note ii)	Manufacture and sale of accessories of motor vehicles
重慶卓通汽車零件部有限公司 Chongqing Zhaotong Automotive Parts and Components Company Limited ("Chongqing Zhaotong") (note iv)	N/A	The PRC 19 May 2014 (note iv)	Nil	–	50.98 (note ii)	–	–	Manufacture and sale of accessories of motor vehicles
Watary Investments Limited	Ordinary	British Virgin Islands/ Hong Kong	USD36,000	100	–	100	–	Investment holding
Dragon Hill (HK) Limited	Ordinary	Hong Kong	HKD200,000	–	100	–	100	Trading of marketable securities
DH Corporate Services Limited	Ordinary	Hong Kong	HKD2	–	100	–	100	Provision of administrative services

47. PRINCIPAL SUBSIDIARIES (continued)

(i) General information of subsidiaries (continued)

notes:

(i) In accordance with the sino-foreign equity joint venture agreements entered by the Company and 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 2014 of the Company and Liuzhou Wuling in Wuling Industrial were 50.98% and 49.02%, respectively (2013: 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.

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

Principal activities	Principal place of business	Number of subsidiaries	
		2014	2013
Manufacture and sale of engine	PRC	1	1
Manufacture and sale of special vehicles	PRC	1	1
Inactive	Hong Kong	3	3

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

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

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2014 %	2013 %	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Wuling Industrial	PRC	49.02	49.02	95,348	54,158	734,415	742,984

47. PRINCIPAL SUBSIDIARIES (continued)

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

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.

	Wuling Industrial	
	2014 RMB'000	2013 RMB'000
Current assets	7,295,621	8,068,154
Non-current assets	2,470,565	2,086,635
Current liabilities	7,999,566	8,139,055
Non-current liabilities	268,425	474,590
Equity attributable to owners of the Company	763,780	772,691
Equity attributable to the non-controlling interests	734,415	742,984

	Year ended 31.12.2014 RMB'000	Year ended 31.12.2013 RMB'000
Revenue	12,138,544	12,037,209
Expenses	10,764,941	11,923,326
Profit and total comprehensive income for the year	154,240	113,883
Profit and total comprehensive income attributable to the non-controlling interests	61,727	54,158
Dividends paid to non-controlling interests	169,719	17,093
Net cash inflow from operating activities	1,291,953	451,806
Net cash outflow to investing activities	(492,319)	(381,691)
Net cash outflow to financing activities	(905,331)	(244,030)
Net cash outflow	(105,697)	(173,915)

48. EVENT AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to 31 December 2014:

(a) On 21 January 2015, the Company granted 13,800,000 share options under the New Share Option Scheme (as set out in note 36(b)) at an exercise price of HKD0.56 per share to certain employees of the Group.

(b) On 11 February 2015, Chongqing Zhaotong, entered into the land use rights transfer contract with Chongqing Municipal Administration Bureau of Land Resources and Housing to acquire the land use rights of a land in Chongqing at a consideration of RMB35,040,000.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

AUDIT COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Zuo Duofu
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

REMUNERATION COMMITTEE

Mr. Zuo Duofu *(Chairman)*
Mr. Ye Xiang
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Yu Xiumin (resigned on 20 March 2015)

NOMINATION COMMITTEE

Mr. Wei Hongwen *(Chairman)*
(appointed as member on 31 October 2014
and redesignated as Chairman on 20 March 2015)
Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Lee Shing
Mr. Wang Yuben (appointed on 20 March 2015)
Mr. Sun Shaoli (resigned on 31 October 2014)
Mr. Yu Xiumin (resigned on 20 March 2015)

COMPANY SECRETARY

Mr. Lai Shi Hong Edward

PRINCIPAL BANKERS

Hong Kong

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

PRC

China Construction Bank
Agricultural Bank of China
Industrial and Commercial Bank of China
China Industrial Bank Co., Limited
Shanghai Pudong Development Bank

AUDITORS

Deloitte Touche Tohmatsu

SOLICITOR

Sidley Austin

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2403
24/F, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

Stock Exchange of Hong Kong: 305

WULING MOTORS HOLDINGS LIMITED

Unit 2403, 24/F, Great Eagle Centre,
23 Harbour Road, Wanchai, Hong Kong

www.wuling.com.hk

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