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

(Incorporated in Bermuda with limited liability)

ANNUAL REPORT 2020

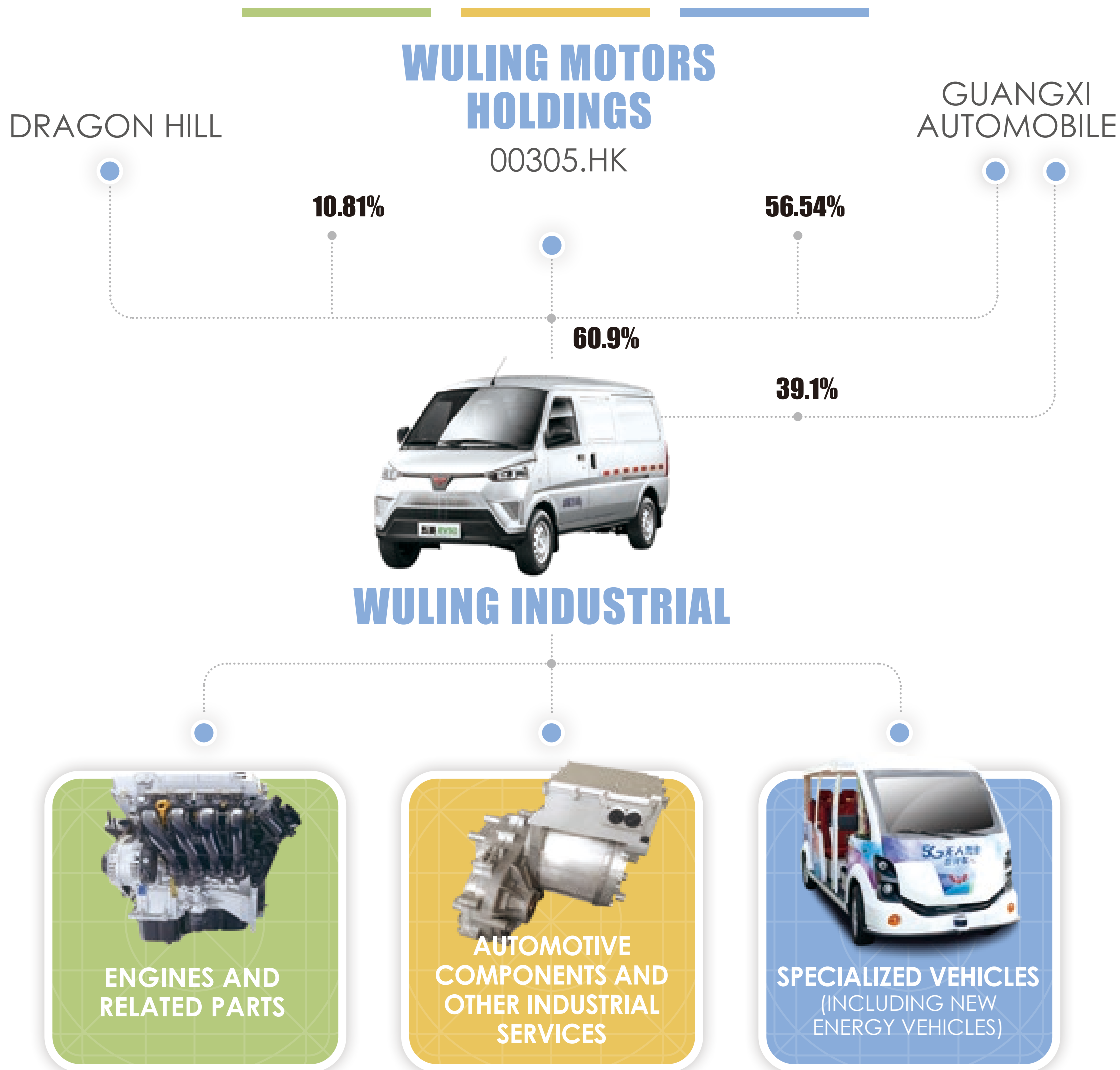
HKEx Stock Code : 00305

Entering the Era of HIGH PERFORMANCE with CLEAN ENERGY

CORPORATE PROFILE

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

GROUP STRUCTURE



CONTENTS

CHAIRMAN'S STATEMENT

In Pursuit of a Balanced and Sustainable Growth for the Group and Shareholders

Mr. YUAN Zhijun
Chairman

CHAIRMAN'S STATEMENT

PREFACE

The year 2020, being the year of decisive victory in building a moderately prosperous society in all respects and the final year of the 13th Five-Year Plan, was also recognized as a crucial period for Wuling Motors Holdings Limited (the "**Company**" and together with its subsidiaries the "**Group**") to make breakthroughs in the face of the new development situation and new strategic opportunities. Amid a continuous pandemic at home and abroad and the hard-hit global economy, the Group moved forward against waves and concentrated efforts to promote the pandemic prevention and control and seek recovery amid stability in 2020 despite the declining automobile market and the prevailing high prices of raw materials, mainly steel.

In 2020, the Group was committed to the philosophy of new development, continuously emphasized the importance of growth, and insisted on seeking progress and making achievements while maintaining stability, in a bid to achieve the annual operation objectives. During this year, the Group achieved an annual revenue of RMB15,382,213,000, which represented an increase of 8% on a year-on-year basis. Due to the adverse effect from the pandemic in the first half of 2020, in 2020, the Group suffered a net loss of RMB21,867,000, which however, had been substantially reduced as compared to the net loss of RMB166,615,000 for the year 2019, and the net loss of RMB294,025,000 as recorded in the first half of 2020. Accordingly, the Company also recorded a loss attributable to owners of the Company of RMB33,403,000 for the full year of 2020, which had also been substantially reduced as compared to the full year of 2019 and the first half of 2020.

REVIEW OF MAJOR ACHIEVEMENTS IN 2020

Affected by the epidemic, the continuous decline of the automobile market, the slowdown in the production volume of key customers, the increase in short-term operating costs and so on, sale volume of the Group dropped significantly at the beginning of 2020, resulting in an unprecedented significant loss in the first half of the year. However, the Group kept maintaining its strategic focus, made efforts to make up for the loss caused by the epidemic, tried to take various measures to seek stable growth, sought breakthroughs from the outside and increased benefits from the inside. As a result, on a full year basis, loss sustained by the Group in 2020 was significantly reduced. Details of the Group's business performance in 2020 are as follows:

(I) Coordinating work in a scientific way and insisting on both epidemic prevention and control and production resumption

The COVID-19 outbreak in early 2020 tested the Group's ability to prevent and control the pandemic and resume production. We made all efforts to carry out work in two main aspects, from which no confirmed or suspected cases were reported within the Group, and production was resumed to facilitate stability and growth in an orderly manner. To ensure smooth resumption of production, we adopted precise policies under the effective and comprehensive guidance of government directives and public concerns. Through dynamic adjustments and detailed assignments

CHAIRMAN'S STATEMENT

covering personnel control, material backup, plant control, related party monitoring, reporting mechanism and information dissemination, the Group successfully prepared and arranged for production resumption of all business modules in a reasonable, orderly, solid and meticulous manner, serving the needs of customers, at the same time, seized market opportunities and implemented various measures to stabilize growth and enhance benefits subject to the cautious prevention and control of the epidemic. In addition, the Group fully supported and cooperated with the epidemic prevention and control measures in Guangxi. In order to satisfy the epidemic prevention and control needs on the frontline, the Group stepped up the production of a number of urgently-needed medical ambulances and medical waste transfer vehicles for various epidemic prevention and control actions and quickly responded to the requirement of National VI-compliant engines to be applied in the assembly of Xiamen Golden Dragon Bus' and Dongfeng Tuyi's negative pressure ambulances, as well as the Anhui Jianghuai Anchi's MPV ambulances. In order to ensure production resumption and meet the prevention and control needs, the Group had developed our own proprietary face mask machines and began the production and supply of masks for aiding frontline workers, government departments and suppliers with the problem of material shortages.

(II) Changing growth engine and making every effort to keep the main businesses moving forward against the trend

1. Overcoming difficulties and expanding the market pattern of parts and engine businesses

Due to the pandemic, a reduction in the production volume of the major customer, the issue of high customer concentration and the low gross profit margin of products, business environment for automotive components division was extremely severe, especially in the first half of 2020. In order to mitigate the decline in stabilizing the business volume, the Group actively made unremitting efforts in facing the challenges. We effectively turned the downward pressure into an upward momentum, continuously optimized our product and customer structures, strived to expand the external market to facilitate the business expansion to other external customers, such as the implementation of Great Wall Motor's frame supply project, Beiqi Foton Motor's rear axle project and Chongqing Ruichi's electric rear axle project. Meanwhile, we had stepped up efforts to complete other supporting projects, which included the supplies of sheet metal parts and front subframes to Great Wall Motor and Brilliance Shineray respectively. On the back of our technical capability and market trend, the Group had also actively promoted our businesses into the new energy sector. We have developed and launched production of electric drive axles for mini-commercial vehicles, light commercial vehicles and passenger vehicles, which have been recognized by our major customers and other car manufacturers such as JAC.

Benefiting from the strategic move of early deployment and early development, we accelerated technological upgrading and intelligent manufacturing for the engine business, seized opportunities arising from the National VI emission standards, and achieved growth despite the economic downturn. On one hand, we maintained our existing businesses and developed a new generation of engines with a high thermal efficiency through energy conservation and emission reduction of the 1.5-litre and 1.8-litre under National VI-compliant engines. On the other hand, efforts were made to expand our business, whereby products under the new energy segment, such as motors, motor controllers, three-in-one electric drive assemblies, range extenders and hybrid propulsion systems, were developed and started to supply to SAIC-GM-Wuling, Anhui Jianghuai Automobile (JAC), Chongqing Changan Kuayue Automobile and other customers. Overall, this development had been conducive to the continuous improvement of the business performance of the engines and related parts division in 2020.

2. Segmenting the market and stimulating the vitality of the redecorated car business

Facing the overall slowdown of the automobile market in the PRC and the decline of the passenger car market, the Group actively responded to Guangxi's policy of cars to the countryside and made breakthroughs in our focus market segment in revitalizing products marketability and stabilizing sale demands. Total sales volume of specialized vehicles in 2020 maintained at 115,000. The Group seized the market opportunities and continuously launched new products, such as vehicles for pandemic prevention, to open up a new market. Our redecorated vehicle models kept developing and applying lithium batteries and related products to enhance our product competitiveness. As to the non-road vehicles, the Group unveiled the T200 golf cart and L100 sightseeing vehicle at the 2020 China — ASEAN (Liuzhou) Tourism Equipment Expo and secured orders of 1,263 units on the spot. Moreover, taking advantage of the market recovery, the Group managed to expand our business volume. On the back of the government encouragement to stall economy, the Group vigorously promoted the specialized vehicles, such as vending carts and refrigerated trucks, and achieved a rapid increase in sales volume. In addition, we also successfully completed big volume orders, including 1,800 side-dump stake trucks and 500 vehicles to Weizhou Island in Guangxi. Annual sales volume of redecorated vehicles was 107,000 in 2020. By seizing the opportunity of the transition from traditional vehicles to new energy vehicles, the Group has developed and launched a series of products with own proprietary, such as new energy logistics vehicles, pure electric patrol vehicles, pure electric sightseeing vehicles and pure electric buses, accelerating the marketability of new energy vehicles. Amongst these vehicles, annual sales volume of new energy logistics vehicles reached 4,706 vehicles in 2020.

CHAIRMAN'S STATEMENT

(III) Promoting transformation and upgrading, and unleashing the momentum for economic development in a virtuous cycle

1. Innovation drives transformation, stimulating the development momentum

The Group proactively strengthened technological innovation, tapped the high-end equipment manufacturing, new materials, new energy vehicles and other strategic emerging industries, and promoted the upgrading of the manufacturing industry, which added momentum to our development. In June 2020, the Emerging Industry Development Office of Guangxi Zhuang Autonomous Region issued a circular on newly-added certified companies in the strategic emerging industries in 2019. Four out of the Group's subsidiaries or associates were among the newly-added certified companies in the strategic emerging industries in 2019. The Group ranked first in Liuzhou in terms of the number of subsidiaries or associates certified as such companies. The four certified firms included the smart factory of Liuzhou AAM(柳州美橋), the charging pile production line of Liuzhou Wuling Toneluck(柳州五達), the motor controller workshop of Liuzhou Leadrive (柳州臻驅)and the emission production plant of Faurecia (Liuzhou) Emissions, which have all developed into an emerging industry chain characterized with the established standard of technological innovation and breakthrough.

2. Transforming to the new energy sector and tapping the sustainable development potential and momentum

Grasping the opportunity of the government promoting the development of the new energy automobile industry, the Group increased the investments in the industry and tapped the sustainable development potential and momentum.

Guangxi Automobile Holdings Limited, parent company of the Group had actively constructed a production base for new energy buses. By itself or through the Group, certification of different types of new energy vehicles including new energy buses, new energy specialized vehicles and electric trucks were successively approved. At present, the Group has obtained more than 50 licenses for production of new energy vehicles. On 14 September 2020, the Group executed a cooperation agreement with Youpin Automotive (優品車)for pursuing the battery-swapping project. The parties would hence focus on developing battery-swapping logistics vehicles and exploring the development and application of the methodology of battery swapping, aiming at further deepening the cooperation to promote the development of new energy, tap the battery swapping market and establish an ecosystem of mobility, etc. With respect to the aspects of key automotive components of new energy vehicles, the Group has successfully developed various products, such as electric rear axles, pure electric compressors, motors, electric controllers, electric rear axles, range extenders, hybrid power systems and other products. At present, product research and development of motor and electric controller products had reached the maturity stage. The Group is actively looking for business opportunities in promoting these products to customers, including SAIC-GM-Wuling and JAC.

3. Intelligent manufacturing leads the transformation, accelerating corporate development during competition with peers

The Group is committed to promptly congregating the new momentum driven by new industries, new formats and new models to support and spearhead our business goal of high-quality development. In terms of automation applications, we had built 135 automatic production lines and installed 924 industrial robots. As for application of intelligence computerization, we had achieved comprehensive flexibility methodology in our production lines. As a result, both production efficiency and on-site response were increased by 20% on average. The Group had extended its intelligent applications to the aspects of logistics and quality. Our project related to the intelligent manufacturing capability for lightweight key parts of car chassis was approved by the Ministry of Industry and Information Technology as a pilot demonstration project for the integrated development of the manufacturing and internet services based on the implementation of national standards with regard to integrated systems of informatization and industrialization.

(IV) Performing fine management to seek changes in a dilemma with a multi-pronged approach

1. Deepening asset management and seeking internal benefits

Considering the severe market conditions and in view of our own operations, the Group implemented joint efforts measures among our group companies to contain cost in an all-round way, increased the range, intensity and depth of "Three Containments", and clarified responsibilities, in a bid to improve the efficiency of assets while reducing the operating costs. The Group kept monitoring on the effectiveness of subsidiaries' actions to cut the proportion of both receivables and inventories and to reduce the asset-liability ratio.

CHAIRMAN'S STATEMENT

In order to strengthen and standardize capital management, reduce capital risks and ensure capital safety, the Group convened various divisions to streamline the fund management system, so as to fulfil responsibilities and strictly implement capital control. Meanwhile, the Group also made the most of various financing policies against the pandemic and for production resumption to obtain relevant loans, in order to better serve production and expand financial reserves.

2. Improving the quality of assets and promoting balanced development

The Group further reviewed the work of reducing losses and restoring profitability, continuously detailed the "One Company, One Policy" initiative, shut down and transferred loss-making business units and those that suffered losses for a long term without any sight of recovery, aiming at improving capital efficiency and lowering the proportion of funds applied and costs incurred. Despite the severely adverse business environment in the first half of 2020, the Group made unremitting efforts to improve efficiency and reduce costs by setting target of loss reduction on a full year basis and formulating loss reduction strategies and executing practical plans for loss-making subsidiaries.

WORK PLAN FOR 2021

Currently, the industrial ecology and competition pattern are being reshaped, and risks and challenges are becoming more intense. Standing in the meeting point of the "two centenary goals" in 2021, the Group will closely follow the requirements of the country's "14th Five-Year Plan", withstand the storms and pressures under the leadership of Guangxi Zhuang Autonomous Region's Party committee and State-owned Assets Supervision and Administration Commission, seize the opportunity of "electrification, intelligence, networking and sharing" in the automobile industry to strengthen innovation-driven development, optimize the industrial structure, promote the integration of industry and finance, focus on the development of automotive components and engine businesses, strategically develop vehicle assembly business, with a view to transforming from scaled and fast development to quality- and efficiency-based growth, facilitating transformation and upgrading, seeking progress while maintaining stability, and achieving high-quality development.

1. Stabilizing business scale and driving market competition through product innovation

In terms of automotive components business, the Group will continuously accelerate product transformation and upgrading by focusing on the development of lightweight, electric, and intelligent products and stepping into the field of supplying automotive components and parts for high-end passenger vehicles, develop new businesses, expand the new energy market, promote technological upgrading, and step up efforts on the development of new energy products. In addition, we will keep expanding the market, seeking cooperation with Great Wall, Geely and other independent brands, for further optimizing the customer structure, and achieving new business breakthroughs. From the perspective of engine and related parts businesses, we will grasp the opportunities derived from the National VI-compliant engines and continuously develop new energy products, such as motors, motor controllers, three-in-one electric drive assemblies, with high quality standard. In addition, the Group, seeking breakthroughs in product innovation, will continuously optimize our product structure by way of forming three main product lines, namely, passenger vehicles, trucks and redecorated vehicles, and non-road vehicles, and at the same time further expand our brand influence and market share. Efforts would also be made to increase investments in new energy vehicle industry with specific focus on the development of new energy logistics vehicles.

2. Continuously deepening fine management, reducing costs and increasing efficiency to improve our strength

During the course of business expansion and innovation, the Group will uphold the principle of raising cost awareness, take actions from "Three Containments", perform comprehensive budget management, clarify the responsibilities of regions and staff, and control operating costs. We would also strengthen the adjustment of organizational structure, promote the synchronization of employment and benefits, optimize the labor cost management system, improve operation quality, and reduce management costs. Furthermore, we would pay attention to post-project management, comprehensively and deeply improve work efficiency, establish the corresponding assessment system, and improve our performance management mechanism.

3. Optimizing management efficiency and boosting high-quality development

The Group will carry out reforms like a hammer driving a nail, push ahead with our pilot reform on the functions and powers of the board of directors and the pilot system of professional managers, improve the corporate modern management system and legal person management structure, optimize the operation model of the board of directors, strengthen internal checks and balances, establish a modern system with clear rights, well-defined powers and responsibilities and scientific management, realize a check and balance mechanism between decision-making body, supervisory body and operation management, and build a good decision-making environment, so as to promote the use of market-oriented management mechanism, stimulate its vitality and boost our steady development.

YUAN Zhijun
Chairman
30 March 2021

REPORT OF THE CEO

To Transform Challenges into Opportunities through Effective Business Strategies

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

RESULTS AND PERFORMANCES

This unprecedented year 2020 could be summarized in two words, crisis and hopes.

It started with the heartbreaking and hazardous condition caused by the global outbreak of the coronavirus (COVID-19) which took people's precious lives and severely affected the normal daily lives and economic activities of the society to a worrying extent. The associated mandatory measures of quarantine and lockdown for fighting against the spreading of COVID-19 led to a considerable period of stagnation, especially in the first half of 2020, and gave rise to a general pessimistic sentiment in the market.

Meanwhile, cautious and effective measures adopted by the government with the conscientious cooperation from the general public and enterprises had proved to be imperative in this difficult situation and provided a solid platform for a remarkable recovery in the second half of 2020, especially in the PRC.

Essentially, the pliable and valuable experiences amassed by the Group from both favourable and adverse conditions in the automobile industry continued to guide us forward and bestow upon our people the conscientious and hardheaded attitude in addressing these short term adversities and in diligently pursuing the long term corporate goals of the Group under this unprecedented challenging business environment. Adhering to our corporate spirit of "Entrepreneurship and Persistence", we have been dedicated to taking our management measures to swiftly implementing the essential health and safety policies and procedures to facilitate the resumption of the Group's production in the PRC under an appropriate working environment for our staff and workers. Owing to this, despite the tough business environment in the first half of 2020, the Group's production in the PRC was able to gradually resume normal operation from April 2020.

Although the unprecedented adverse situation in the beginning of 2020 had led to a substantial loss to the Group as reported in our 2020 first half results, the positive impact from the general recovery of the economic situation of the PRC and the robust increases in sale volumes of the engine and related parts division, and the automotive components and other industrial services division of the Group in the second half of 2020 provided an impressive turnaround to the Group on a full year basis. Total revenue of the Group for the year ended 31 December 2020 was RMB15,382,213,000, representing an increase of 8% as compared to previous year.

Gross profit for the year under review was RMB1,209,428,000, representing a mild increase of 3.2% as compared to previous year. This mild increase was primarily due to the impressive improvement in the operation of the Group during the second half of 2020 as aforementioned. Overall, due to the severe decline in gross margin of the Group's operations in the first half of 2020 as affected by the COVID-19, the gross profit margin of the Group for the year ended 31 December 2020 was 7.9%, which was moderately decreased as compared to the 8.2% as recorded in previous year.

Riding on the momentum of a swift recovery from the second half of 2020 and the supportive government policies towards new energy vehicles, the Group had actively pursued the new development projects for new energy vehicles and the EV components which resulted in a moderate increase in the research and development expenses during the year ended 31 December 2020. The Group is confident these new development projects would be beneficial to the business growth and performance of the Group in the years ahead.

REPORT OF THE CEO

Due to the undesirable business performance during the first half of 2020 as primarily affected by the COVID-19, the Group sustained a net loss of RMB21,867,000 for the year 2020, which however, represented a significant decrease of 86.9% as compared to the net loss of RMB166,615,000 as recorded in 2019. Meanwhile, the loss attributable to the owners of the Company was also substantially decreased to RMB33,403,000 for the year 2020, represented a significant decrease of 73.1% as compared to the loss attributable to the owners of the Company of RMB124,026,000 for the year 2019. As a positive note, the performance of the Group in the second half of 2020 would be even more encouraging when compared with the losses sustained by the Group in the first half of 2020.

OPPORTUNITIES AND CHALLENGES

Aside from the unprecedented challenges faced by the global economy, the economic environment in the PRC also confronted with series of tough challenges arising from both internal and external in recent years. Indeed, after a relatively prolonged period of fast and extensive growth in different segments in the economy, when the economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries.

Affected by the stagnant business activities and the pessimistic sentiment arising from unprecedented COVID-19, automobile industry in the PRC experienced the third consecutive year of decline in sale volume in the year 2020. Total number of motor vehicles sold in the PRC slightly decreased by 1.9% and amounted to approximately 25,300,000 vehicles.

Notwithstanding this extremely tough market environment, during the year under review, in cooperation with customers and business partners, research and development programmes for new products were unremittingly implemented aiming at taking the advantages of a solid recovery of the business environment in the PRC subsequent to the easing situation of COVID-19. We have confidence some of which would be beneficial to the business growth and performance of the Group in the years ahead. In addition, requisite enhancement and upgrading projects were continued to provide the required fundamental platforms for furthering our business potential and development strategies. Completion of these enhanced facilities empowered by the essential elements of automation and intelligent manufacturing systems would necessarily ensure our competitive strength in the market for future business development and other transformation projects.

In view of the general slowdown in the growth of the passenger vehicle segment following consecutive years of impressive expansion, to maintain the growth of business volume, as mentioned in our previous annual reports, the Group had proactively adjusted our marketing strategy in expanding our car assembly business, i.e. the specialized vehicles division. In response to the solid market demand of our products which themselves have long and established standing in their respective niche market, the Group actively promoted different types of existing and new models including the new energy vehicles through various active marketing campaigns.

Despite the negative impact from the COVID-19, total sales volume of specialized vehicles in the year 2020 maintained at approximately 115,000 vehicles as compared to the 116,000 vehicles sold in the year 2019, while sales of redecorated vehicles (for goods and for passengers) continued to be the main contributor and achieved a sale volume of approximately 107,000 vehicles in 2020.

On the back of the support from the national policies regarding environmental protection and new energy, new energy vehicles continued to receive promising market response and attention. The Group has been allocating resources to develop environmental transportation in compliance with the national policies. Over more than a decade of exploration and experience, the Group has attained key technologies in the development of new energy vehicles, including technologies involved in electric motors, vehicle control and vehicle integration. Electric logistic vehicles, electric sightseeing vehicles and other electric vehicles developed directly or indirectly by the Group were successively approved by the government for production and launched into the market. During the year under review, a total of approximately 7,000 electric vehicles, comprising 4,706 electric logistics vehicles were sold in the year 2020 as compared to 2,000 electric vehicles sold in the year 2019. Meanwhile, the Group had also initiated various projects associated with the new energy vehicles such as the electric motor and control appliances, hybrid solutions as well as the auto pilot projects for logistic and other purposes in order to capture the business potential of the forthcoming generation of new energy.

The Group, through its principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("**Wuling Industrial**") has actively explored potential collaboration with various manufacturing powerhouses at home and abroad for its automotive component business with a view to improving its manufacturing capacity with advanced technologies imported from the international market. The three joint venture enterprises established with the renowned Faurecia Group, namely Faurecia (Liuzhou) Automotive Seating Co., Ltd ("**FL Seating**") (for pursuing the car seat products), Faurecia (Liuzhou) Automotive Interior System Co., Limited ("**FL Interior**") (for pursuing the automotive interior parts and accessories products) and Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("**FL Emission**") (for pursuing the automotive emissions control system products) had all resumed normal operations in the second quarter of 2020. However, as affected by the serious extent of suspension and disruption in operations caused by the COVID-19 during the first half of 2020, operating results of these three joint venture enterprises were all adversely affected for the year 2020.

Meanwhile, the joint venture enterprise formed with American Axle & Manufacturing, Inc. (美國車橋製造國際有限公司), namely Liuzhou AAM Automotive Transmission System Co., Ltd. (柳州美橋汽車傳動系統有限公司) ("**AAM JV**") for pursuing the manufacturing business of vehicle axles products for the medium-end and high-end passenger vehicles, had also started operation in the second half of 2019. Same as the Group and other joint venture enterprises AAM JV, which occupies the highly automated "Smart Factory" under the third phase development of the Liudong Facilities experienced certain extent of suspension and disruption in operations caused by the COVID-19 and resulted in an operating loss for the year 2020.

REPORT OF THE CEO

Nonetheless, the Group believes that cooperation with leading international enterprises will enable faster improvement in processing techniques of the Group's various components. By virtue of our practical and local experience in operations and product upgrade plans of our existing customers, the Group will achieve complementary results with respect to exploring medium end and high-end products of new customers. The management anticipates that the above joint ventures will, in terms of automotive components, operate as enterprises with leading technologies and competitive edges in southwestern the PRC.

The Group remains confident the collaborations aiming at extensively integrated market resources and technical capabilities of both parties to facilitate the transformation and upgrade of the Group's related products to the existing and potential customers would eventually benefit the operations and business performance of the Group.

On 2 January 2020, the Company announced a Rights Issue exercise for the raising of a total of approximately HK$205.01 million, before expenses, by way of the issue of new shares of the Company ("**Share(s)**") on the basis of one (1) rights share for every two (2) shares held on 21 February 2020 (i.e., the recorded date) at the subscription price of HK$0.20 per rights share (the "**Rights Issue**"). In the Rights Issue, Wuling (Hong Kong) Holdings Limited and Dragon Hill Development Limited, respectively controlling and substantial shareholder of the Company, had irrevocably and unconditionally undertaken to, among other things, apply for and pay for the certain number of rights shares of the Company as provisionally allotted to them, whereas, the rights shares not taken up by the shareholders of the Company were fully underwritten by the underwriter and/or other sub-underwriters to the Rights Issue. The net proceeds of the Rights Issue which amounted to approximately HK$200.01 million was fully used as a partial repayment of all of the outstanding amount of the Convertible Loan Notes of the Company (the "**Convertible Loan Notes**") in the amount of approximately HK$260.00 million (including both outstanding principal and related interests) upon its maturity on 23 May 2020.

The Rights Issue subsequently became unconditional on 10 March 2020 and was completed on 16 March 2020 where a total number of 1,025,053,777 new Shares were allotted and issued accordingly. Further details of the Rights Issue are available in the Company's announcements dated 2 January, 2020, 29 January 2020 and 16 March 2020 and the Company's prospectus dated 24 February 2020. On 23 May 2020, the Convertible Loan Notes were fully redeemed by the Company.

REPORT OF THE CEO

As disclosed in this 2020 Annual Report, as at 31 December 2020, the Group's net assets amounted to RMB2,493,036,000 which was slightly increased as compared to the Group's net assets of RMB2,305,323,000 as recorded at 31 December 2019. Meanwhile, net assets attributable to the owners of the Company amounted to RMB1,474,565,000 as at 31 December 2020, indicating an increase comparing to the comparative figures of RMB1,310,604,000 as recorded at 31 December 2019. The increase in the Group's net assets and the net assets attributable to the owners of the Company were primarily attributable to the completion of the aforementioned Rights Issue. Resulting from the shift of the long term bank and other borrowings to short term bank borrowings for containing finance costs, as at 31 December 2020, the Group's net current liabilities amounted to RMB1,884,523,000, representing a substantial increase of approximately 44.5% as compared to the Group's net current liabilities of RMB1,304,476,000 as recorded at 31 December 2019. Correspondingly, the Group's non-current liabilities were reduced by approximately 88% from RMB829,438,000 as of 31 December 2019 to RMB99,345,000 as of 31 December 2020.

Subsequent to the reporting period, on 21 January 2021, the Company announced a top-up placing and subscription exercise under the general mandate obtained from the shareholders of the Company during the annual general meeting of the Company held on 30 June 2020. Upon which a total number of 223,000,000 new Shares were issued at HK$2.47 per Share, raising a net proceeds of approximately HK$537.8 million for the purposes of, inter alia, financing the research and development projects of the new model electric logistic vehicles of the Group and the repayment of certain interest-bearing short term borrowings of the Company. This top-up placing and subscription exercise, which was completed on 1 February 2021, would also help to further strengthen the financial position of the Group. Further details of this exercise are available in the Company's announcements dated 21 January, 2021 and 1 February 2021.

Facing the dynamic and challenging business environment, the Group has been cautiously implementing its strategic and business plans such that the financial position in terms of the net assets of the Group and attributable to the owners of the Company, the amount of net current liabilities, the gearing ratio and the cash positions of the Group would be sustained in a financial healthy position. We consider the current financial position of the Group will enable it to withstand the risks and challenges under the current unfavourable market environment. Nevertheless, the Group will continue to closely monitor the financial position of the Group, as well as the business environment and the financial market from time to time in order to arrive at an appropriate financial strategy for the Group.

When implementing long term business strategies, the Group has been closely monitoring the changing business and public health environment, and where necessary, applying practical short term measures to deal with the spontaneous disturbances. Besides, the Group has never underestimated the risks associated with excessive capacities, non-performing investments and dynamic market situations. Therefore, apart from implementing appropriate capacity expansion strategies, the Group has also undertaken quality services oriented and technical re-engineering programs to further strengthen our product quality standard and technical capability so as to stay competitive in the industry. The Group believes this combined strategy is essential for the corporate development of an enterprise in this tough and challenging environment.

REPORT OF THE CEO

Notwithstanding the highly competitive market conditions and challenges in recent years and the tough business environment in the aftermath of the COVID-19, the Group remains confident in the long term growth potential of the automobile industry in the PRC and recognizes in business, challenges and opportunities are indistinguishable to each other. An effective business model can convert challenges into opportunities, which to a great extent, relies on the determined goals and effective strategies of the enterprises. To cope with the challenges as well as to grasp the opportunities in the automobile industry, the Group has been conscientiously undertaken the following strategies and programs:

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

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

c. Aiming at the construction of a network of advance and highly automated production facilities located in different regions across the PRC, to establish an intelligent production system to pave the way for the upcoming development of intelligent manufacturing through the adoption of innovative industrialization programmes and the undertaking of the automation exercises for the established facilities and the newly setup facilities;

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

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

OUTLOOK

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

When the going gets tough, the tough gets going. Being one of the world largest automobile market and the entering into the milestone stage of a "Moderately Prosperous Society", the Group is full of confidence in the future development of the PRC 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 PRC economy will continue to grow steadily. Rising household income and the increasing awareness of the general public towards environmental and community issues attributable to the sustainability of the economy and the society will necessarily encourage demands for motor vehicles, as a salient means of transport and an important part of lifestyle and provide promising business opportunities to the Group.

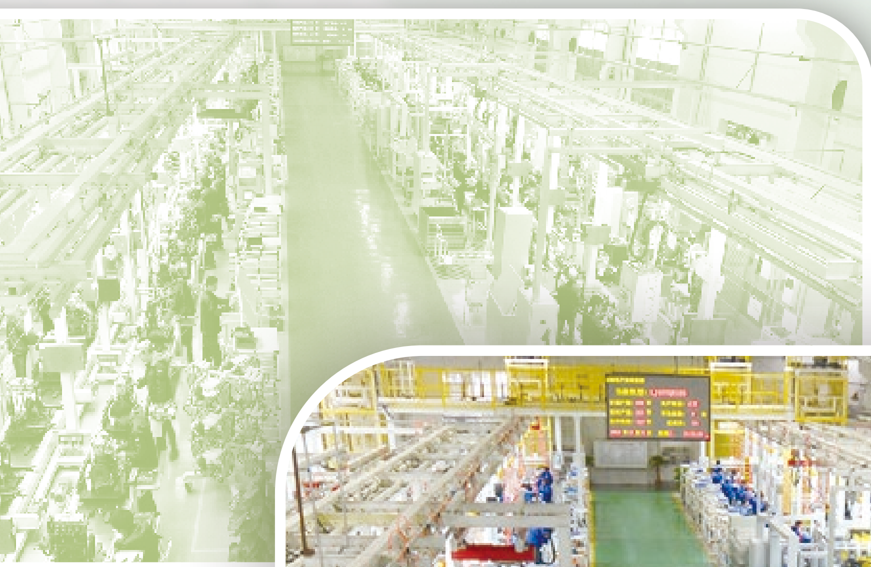
Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the PRC automobile industry will continue to be strengthened. With the continuous supports from Guangxi Automobile, our ultimate controlling shareholder and joint venture partner,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

LEE Shing
Chief Executive Officer
30 March 2021

OPERATION REVIEW

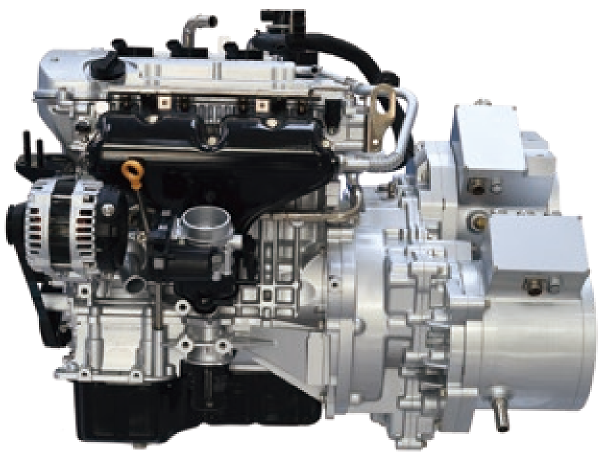
MAIN BUSINESS SEGMENTS

ENGINES AND RELATED PARTS



Total revenue (based on external sales) of the engines and related parts division for the year ended 31 December 2020 was RMB3,115,390,000, representing a substantial increase of 18.3% as compared to previous year. Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the year was approximately 233,000 units, representing a substantial increase of approximately 22.6% as compared to previous year.

During the year, sales to SAIC-GM-Wuling Automobile Co., Limited ("SGMW"), our core customer, amounted to approximately RMB1,637,033,000, representing an increase of 53.7% as compared to previous year. The increase was mainly attributable to an increase in the sale volume of the NP18 model to SGMW for their Capacity 1.8L vehicle models, which amounted to approximately 111,000 units as compared to 73,000 units achieved in 2019. Meanwhile, the business volume of the 3C products (i.e. cylinder block, cylinder head and crankshaft components) supplying to SGMW continued to achieve a steady growth during the year.



Despite the negative impact from the COVID-19 which led to certain extent suspension and disruption in operations of the division in the first half of 2020 and resulted in an operating loss of RMB46,920,000 during the period, benefited from the general recovery of the economic situation of the PRC and the robust increases in sale volumes of the engine and related parts division, business and profitability performance of the division had since been significantly improved in the second half of 2020. Hence, an operating profit of RMB49,067,000 was achieved on a full year basis as compared to the operating loss of RMB156,282,000 as in previous year.

As a long standing industry leader in the manufacturing of engines for the various types of mini-vehicles, apart from SGMW, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Recently, benefited from the regulatory upgrade requirement of the national standard of motor vehicles in China (i.e., the upgrading from National V to National VI standard) since the second half of 2019, sales to other customers, primarily National VI standard engine sets with capacity range from 1.0L to 1.6L, continued to achieve a steady growth and increased to approximately RMB1,478,357,000 for the year, which accounted for approximately 47.5% of the total revenue of this division.

OPERATION REVIEW

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

To further expand the product range and to achieve higher technical capability, Wuling Liuji has also actively undertaken development projects for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles segment, which included the recent upgrading projects of the main models of Wuling Liuji in compliance with the regulatory upgrade of the national standard of motor vehicles in the PRC (i.e., the upgrading from National V to National VI standard) which had made significant contribution to the business performance of the division in the year of 2020.

Besides, Wuling Liuji has also undertaken projects for the continuous enhancement of the NP18 model and for the development of a new model namely, NPT20 (Capacity 2.0L) in serving the specific needs of the customers of the passenger vehicles segment. The Group considers that completion of the new highly-automated production facilities designated for the NPT20 model would further strengthen the market position of Wuling Liuji by having a comprehensive range of products ranging from 1.0L to 2.0L with the essential vertical integration elements, i.e., the in-house manufacturing of the foundry components. Wuling Liuji is confident that sales of this new model would gradually pick up and would benefit the business performance of the division in future.

OPERATION REVIEW

At the same time, to kick start the business development in the segment of new energy vehicles, through a joint venture formed with a technical partner, the Wuling Liuji had commenced business activities in the development and production of electric motor control system and related components for new energy vehicles. At the back of the competitive strength and knowhow of the cooperative partner in their respective automobile and electric motor control system industry, the division enjoyed a speedy development in this great potential business segment, where the first batch of the Group's electric motor control system products applicable for electric vehicles were developed and completed. Construction of the new production line for the mass production of the Group's electric motor control system products and related components for new energy vehicles was completed in May 2020. The Group had already submitted sample products to several potential customers during the last quarter of 2020 and is currently planning for a scale production of the electric motor control system and related components for the key customers in the near future.

Facing the imminent massive changes to be taken place in the automobile industry, the engines and related parts division had formulated appropriate strategy towards to this new energy era by positioning ourselves as an enterprise serving power supply solutions to the car manufacturers. Hence, the scope of products Wuling Liuji aims at developing and supplying would cover a comprehensive range of products, including the traditional petrol engines in compliance with the high recognition of environmental protection standard, power supply solutions for hybrid model vehicles, as well as the related key components for the power supply systems of electric vehicles and other new energy vehicles.

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

OPERATION REVIEW

MAIN BUSINESS SEGMENTS

AUTOMOTIVE COMPONENTS AND OTHER INDUSTRIAL SERVICES

Total revenue (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2020 was RMB7,148,068,000, representing a slight increase of 0.4% as compared to previous year.

The outbreak of the COVID-19 had severely affected the operation of this division during the first half of 20`20. The associated mandatory measures of quarantine and lockdown for fighting against the spreading of COVID-19 at that moment led to low volume of production of the key customer and resulted in a significant decline in the business volume of the division. Coupled with the adverse impact from the additional costs incurred in the adoption and implementation of the requisite health and safety measures and procedures in the production facilities of the division in order to provide a safety and an appropriate working environment for our staff and workers upon resumption of production, the high level of research and development expenses due to continuous launches of new products and the implementation of certain technological upgrade and enhancement projects and certain impairment losses made against certain long overdue receivable balances and the carrying values of property, plant and equipment of the division, the division recorded a substantial operating loss of RMB142,771,000 for the first half of 2020. However, same as the engines and related parts division, benefited from the general recovery of the economic situation of the PRC and the robust increases in sale volumes driven by the key customer, business and profitability performance of the division had since been significantly improved in the second half of 2020. Hence, an operating profits of RMB26,336,000 was achieved on a full year basis, notwithstanding the substantial loss incurred in the first half of 2020.

OPERATION REVIEW

The automotive components and other industrial services division, undertaken by our subsidiary, Liuzhou Wuling Industrial Motors Industrial Company Limited ("Wuling Industrial"), continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the year, due to the unprecedented factors as explained above, total sales to SGMW through the Group or our associated companies, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, had all experienced a severely volatile business environment, which was essentially big challenges to the enterprise in terms of its ability in facing adversity and embracing opportunities. The impressive business performance of the automotive components and other industrial services division had clearly demonstrated that our pliable and valuable experiences amassed from both favourable and adverse conditions in the automobile industry would be conducive to the pursuit of our long term business goals under the present highly dynamic business environment.

With our long and established industry experiences, the automotive components and other industrial services division of the Group is particularly strong in product design and development. Our 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 customers can be properly taken care of. For further expansion of the business volume and the improvement of profitability, the component products of the division had been extended from the traditional well and established commercial mini-vehicles to other higher value added passenger vehicles, such as the sedan, MPV and SUV segments, as well as the electric vehicles. Meanwhile, through continuous efforts of market diversification, we have also successfully expanded our components supply to other prominent car manufacturers with production bases in the south western part of the PRC.

To cope with the future business opportunities, the Group had actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, besides the production base located in the Liudong district which is specifically constructed for the production of automotive components for passenger vehicles ("Liudong Facilities"), the production facility located in Hexi Industrial Park, Liuzhou which was originally designed for the mini-vehicles' components businesses, had been subject to various upgrading and revamping exercises in recent years, which involved the installation of industrial robotic workstations and other automatic machinery, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the SUVs and MPVs, and for the electric vehicles. In addition, part of the facilities were currently leased to the joint venture companies as mentioned below.

Apart from the production facilities in the Liuzhou region, Wuling Industrial had also formulated development plans for the other two main production facilities in the PRC, i.e. the production facilities located in Qingdao and Chongqing. As for the production facilities in Qingdao, due to the launches of the new passenger vehicles by SGMW manufactured in their production base in Shandong, the production facilities located in Qingdao has also undertaken certain technology advance and capacity expansion projects. Such projects, which involved the construction of a new factory premises, the establishment of several large scale plastic injection production lines, as well as other automatic welding and assembly lines and the installation of industrial robots, were completed and had gradually started operating. With respect to the production facilities in Chongqing, following the full operation of the first phase, Wuling Industrial keeps monitoring the business environment in determining the commencement of the construction of the

OPERATION REVIEW

second phase development to cope with the potential demands arising from the expansion plans of the customers in future.

In addition to the above facilities, the Group has also recently established a new production facility in Guiyang in the Guizhou province, which has commenced operation in the second half of 2019 by supplying automotive components to another renowned local car manufacturer. Over the past few years, the Group has taken strategic steps in the PRC to transform from a single production point operation in Liuzhou into an interprovincial production group with facilities in Guangxi, Shandong, Chongqing and Guizhou, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future.

Apart from the geographical expansion in capacity, these strategic steps over the past few years have also strengthened the commercial collaboration between the Group and SGMW and other new customers in pursuing current businesses as well as other future business opportunities, which was demonstrated by the establishment of the Group's production overseas plants in Indonesia and India recently. The production plant in Indonesia, which comprises a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles, with an initial planned production volume of 100,000 sets/units per annum, were still operating at a loss during the year primarily due to the low utilization rate of the operating facilities as

affected by the COVID-19 issue. However, being the fourth largest population country in the world and in consideration of its recent economic development, the Group is of the view that there is great business potential for the automobile industry in Indonesia and considers that the business performance of the Group's automotive components businesses in Indonesia will be improved in the foreseeable future.

Meanwhile, the production plant of the Group in India, which had a smaller scale of operation and targeted for the automotive component business of a renowned PRC car manufacturer continued to deliver a solid result in the year of 2020.

Going forward, the Group considers the competitive strength of its key customer, SGMW, in the market on the back of its successful models and the launch of new models, including the electric vehicles and the implementation of the appropriate strategic and business programmes for other customers, will continue to provide strong supports to the operation of the automotive components and other industrial services division in the years onwards.

OPERATION REVIEW

MAIN BUSINESS SEGMENTS

SPECIALIZED VEHICLES
(including New Energy Vehicles)

OPERATION REVIEW

Total revenue (based on external sales) of the specialized vehicles division undertaken by Wuling Industrial for the year ended 31 December 2020 was RMB5,097,664,000, representing an increase of 13.9% as compared to previous year. Operating profit for the year was RMB103,922,000, representing an increase of 28.1%.

Continuous launches of new models of specialized vehicles ensured a steady business volume irrespective of the adverse effect from the COVID-19 in the first half of 2020. Meanwhile, incurring of additional costs in the adoption and implementation of the requisite health and safety measures and procedures in the production facilities of the division facing the COVID-19 and the increases of warranty and marketing expenses due to continuous launches of new products impeded the continuous improvement in profitability of the division during the year.

During this year, Wuling Industrial sold approximately 115,000 specialized vehicles, representing a slight decrease of 0.9% as compared to 116,000 specialized vehicles as in previous year. In which, the sale volume of redecorated vans and other types of vehicles (primarily sight-seeing vehicles and new energy vehicles) were approximately 107,000 and 8,000 respectively, amongst which approximately 7,000 vehicles were new energy vehicles, which included 4,706 newly launched electric logistic vehicles.

Despite the severe business environment as affected by the COVID-19 during the first half of 2020, proactive marketing strategies and continuous launches of new models benefited the business performance of the division from which the momentum of the sale volume of redecorated vans was maintained and continued to rank as the leading supplier in this market segment. Meanwhile, the division continued to experience an impressive increase in the sale volume of electric vehicles contributed primarily from the electric sight-seeing vehicles and electric logistic vehicles. Wuling's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and provided positive feedback from the market.

Operating margin improved to 2.0% for the year despite the above mentioned unfavourable factors and the additional marketing costs incurred in the launches of new models, mainly electric logistic vehicles. However, high portion of redecorated vans having low profit margin, competitive pricing strategy and increasing

OPERATION REVIEW

production costs resulting from product upgrades and improvements continued to limit the profitability performance of the division. Nevertheless, as a leading manufacturer in this niche market, the Group is confident that the profitability of this division will eventually be improved due to the increasing sale volume of higher-end products in the market in consequence of the increasing customers' preferences towards higher quality products where the Group is working towards strategically.

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

The capability of the specialized vehicles division in the car assembly industry is originated from the long standing industry experiences of Wuling. In fact, the models designed and developed by the Group are mainly branded as "Wuling", which is itself a benchmark of quality products and services in the market. Besides, in line with the national policies relating to environment protection and the promotion of clean energy, the division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Being the primary focus of development of the division, certain electric vehicle products of the Group, including electric logistic vehicles, electric sightseeing buses and other electric vehicles, had started to gradually launch to the market.

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

OPERATION REVIEW

Over the years, the Group had unremittingly developed new models of specialized vehicles with improved quality and added features in response to market demands and enhanced regulatory standards, such as the recently launched hot-selling stall car, the Group's first electric logistic vehicle (EV50) and the forthcoming refrigerated mini-truck. The Group is confident that the launches of these new models will be beneficial to the profitability performance of the division. Currently, production facilities of the specialized vehicles division of the Group are situated in Liuzhou and Qingdao. Taking the advantage of having an existing operation in Chongqing, the Group has commenced the construction of a production plant for the assembly of specialized vehicles in the production facilities in Chongqing, completion of which will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness. In addition, our parent company, Guangxi Automobile Holdings Limited, had also initiated the construction of a production base for the new energy vehicle in the Liuzhou district recently, with a targeted annual production capacity of 200,000 vehicles. We believe this new production capacity for new energy vehicles would provide a strategic back up to the Group in grasping the future business potential from the new energy vehicles assembly business.

OPERATION REVIEW

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

The Group would strive to maintain a prominent market share of our existing popular models, and at the same time, explore the opportunity for future growth potential to further improving the profitability of the specialized vehicles segment, through implementation of active business strategies in promoting new models, primarily the new energy vehicles on the back of the favourable government policy and economic environment.

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

PERFORMANCE OF PRINCIPAL JOINT VENTURES AND ASSOCIATED COMPANIES

Liuzhou Lingte Motor Technology Company Limited ("Liuzhou Lingte"), which was formed by Wuling Liuji with IAT Automobile Technology Co., Ltd., for purpose of developing and pursuing the businesses of the proprietary V6 cylinder engine products, had made some solid development during the year. Following the completion of a capital increase exercise in the second half of 2020, the respective shareholding interests held by Wuling Liuji was decreased to 29.9%. Meanwhile, business volume, primarily the 3.0L Advanced Model, was gradually picked up through appropriate marketing and promotion programmes. During the year ended 31 December 2020, Liuzhou Lingte registered an annual revenue of RMB24,125,000, representing a year-on-year increase of 195%, whereas net operating loss was further increased by 40% to RMB16,996,000 due to the low utilization rate and the moderate increase of administrative expenses, in which a loss of RMB5,087,000 was attributable to the Group. Nevertheless, the Group considers the successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry.

Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang"), which is owned as to 50% by Wuling Industrial and formed with Guangxi Liugong Machinery Company Limited for developing and pursuing the businesses of engineering machinery and other industrial vehicles products maintained its business volume and profitability during the year due to the stable business environment of the construction and engineering machinery market despite the unfavourable factors caused by the COVID-19 in the first half of 2020. During the year ended 31 December 2020, Guangxi Weixiang registered an annual revenue of RMB590,978,000, representing a moderate increase of 10.1% on a year-on-year basis, whereas net profit was also moderately improved by 9.0% to RMB14,099,000, in which a profit of RMB7,049,000 was attributable to the Group.

Faurecia (Liuzhou) Automobile Seating Co., Limited ("FL Seating") which is be owned as to 50% each by Wuling Industrial and Faurecia Group for pursuing the business of car seat products in the PRC has entered into the third year of operation in 2020. It is expected that the cooperation with Faurecia Group, being a global leading manufacturer in the business of automotive parts and components will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat businesses for the existing customers as well as other new customers. FL Seating, which operation is primarily facilitated by the transfer of machinery and equipment, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial in Liuzhou and Qingdao, resumed its profitability during the year despite the unfavourable factors caused by the COVID-19 in the first half of 2020. During the year ended 31 December 2020, FL Seating achieved an annual revenue of RMB386,372,000, representing a year-on-year decrease of 36.0%,. However, benefited from higher portion of higher margin products and a reduction of the administrative expenses, FL Seating achieved a net operating profit of RMB1,080,000 (as compared to a net operating loss of RMB18,444,000 incurred in 2019), in which a profit of RMB540,000 was attributable to the Group.

OPERATION REVIEW

Faurecia (Liuzhou) Automobile Interior System Co., Limited ("FL Interior") which is be owned as to 50% each by Wuling Industrial and Faurecia Group for pursuing the business of automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim in the PRC has also entered into the third year of operation in 2020. It is expected that the co-operation with Faurecia Group will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in these types of products from SGMW as well as other new customers. FL Interior, which operation is also primarily facilitated by the transfer of machinery and equipment, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial in Liuzhou and Qingdao, was adversely affected by a decrease in business volume primarily due to unfavourable factors caused by the COVID-19 in the first half of 2020. Accordingly, during the year ended 31 December 2020, FL Interior achieved an annual revenue of RMB194,055,000, representing a year-on-year decrease of 60.2%, from which a net operating loss of RMB6,751,000 was incurred (as compared to a net operating profit of RMB778,000 achieved in 2019), in which a loss of RMB3,376,000 was attributable to the Group.

Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("FL Emission") which is be owned as to 50% each by Wuling Industrial and Faurecia Group for pursuing the business of automotive emissions control system products and related parts and components in the PRC has commenced operation in May 2019. It is expected that the co-operation with Faurecia Group will provide essential technical support to the Group in further promoting its business opportunities in these types of products from SGMW as well as other new customers. The initial operation of FL Emission was primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of automotive emissions control system products located in Liuzhou and the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou. Despite the unfavourable factors caused by the COVID-19 in the first half of 2020, the business activities of FL Emission has been progressing satisfactorily during the year ended 31 December 2020 with an annual revenue of RMB674,504,000 which helped to deliver a net operating profit of RMB5,251,000, in which a profit of RMB2,626,000 was attributable to the Group.

Liuzhou AAM Automotive Transmission System Co., Ltd. ("AAMJV"), which is owned as to 50% each by Wuling Industrial and American Axle & Manufacturing, Inc. ("AAM International") and occupies the highly automated "Smart Factory" under the third phase development of the Liudong Facilities, for the purpose of developing and pursuing the business of the manufacturing and sales of driveline products business, which includes the independent drive axles, propshafts and other driveline products, driveheads for high-end Salisbury axles or banjo axles, e-drive units for new energy vehicles, and other driveline components for motor vehicles has commenced operation in the second half of 2019. It is expected that the co-operation with AAM International will enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high-end passenger vehicles, from which the joint venture company could serve as a platform to co-operate on and operate vertical rear axles, transmission axles and other business furthering the technology development of vehicle axle products. During the year ended 31 December 2020, due to the unprecedented adversity caused by the COVID-19 in the first half of 2020, the planned projects of AAM JV had been delayed, as a result, AAM JV could only manage a total revenue of RMB43,491,000, from which net operating loss was significantly increased to RMB24,907,000 due to the low utilization rate, in which RMB12,454,000 was attributable to the Group.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group's total revenue for the year ended 31 December 2020 was RMB15,382,213,000, representing an increase of 8% as compared to previous year. Despite the tough business environment caused by the outbreak of COVID-19 in early 2020 this year which had led to a serious extent of suspension and disruption in the operations of the Group especially in the first quarter in the first half of 2020, positive impact from the general recovery of the economic situation of the PRC and the robust increases in sale volumes of the engine and related parts division, and the automotive components and other industrial services division of the Group in the second half of 2020 provided an impressive turnaround to the Group on a full year basis. Meanwhile, continuous launches of new models and the active promotion of the Group's specialized vehicles, including the electric vehicles, ensured steady sale revenue of the specialized vehicles division, notwithstanding the automobile industry in the PRC being experienced the third consecutive year of decline in sale volume in the year 2020.

Gross profit for the year under review was RMB1,209,428,000, representing a mild increase of 3.2% as compared to previous year. This mild increase was primarily due to the impressive improvement in the operation of the Group during the second half of 2020 as aforementioned. Overall, due to the severe decline in gross margin of the Group's operations in the first half of 2020 as affected by the COVID-19, the gross profit margin of the Group for the year ended 31 December 2020 was 7.9%, which was moderately decreased as compared to the 8.2% as recorded in previous year.

Riding on the momentum of a swift recovery from the second half of 2020 and the supportive government policies towards new energy vehicles, the Group had actively pursued the new development projects for new energy vehicles and the EV components, research and development expenses were increased moderately by 5.2% to RMB205,167,000 during the year ended 31 December 2020. The Group is confident these new development projects would be beneficial to the business growth and performance of the Group in the years ahead.

Due to the undesirable business performance during the first half of 2020 as primarily affected by the COVID-19, the Group sustained a net loss of RMB21,867,000 for the year 2020, which however, represented a significant decrease of 86.9% as compared to the net loss of RMB166,615,000 as recorded in 2019. Meanwhile, the loss attributable to the owners of the Company was also substantially decreased to RMB33,403,000 for the year 2020, represented a significant decrease of 73.1% as compared to the loss attributable to the owners of the Company of RMB124,026,000 for the year 2019. As a positive note, the performance of the Group in the second half of 2020 would be even more encouraging when compared with the losses sustained by the Group in the first half of 2020.

Accordingly, basic and diluted loss per share for the year ended 31 December 2020 was RMB1.17 cents, which were significantly decreased as compared to the basic and diluted loss per share of RMB6.05 cents as recorded in previous year.

FINANCIAL REVIEW

Other income comprised primarily bank interest income, sales of scrap materials and parts, government grants and other services income, etc, was in aggregate RMB174,849,000 for the year ended 31 December 2020, representing a decrease of 12.6% as compared to previous year. During the year, a substantial reduction in the sales of scrap materials and parts was partly compensated by a substantial increase in bank interest income and an increase in government grants.

Other gains and losses amounted to a net loss of RMB25,646,000 for the year ended 31 December 2020, which comprised primarily the combined results of the impairment loss of RMB55,069,000 made against the property, plant and equipment of the automotive components and other industry services division in Indonesia and in the PRC, gain on technology appraised as capital investment in a joint venture amounting to RMB29,997,000, loss on disposals of certain property, plant and machinery amounting to RMB7,351,000, decrease in fair value of investment properties amounting to RMB1,641,000, loss on fair value change of financial assets/liabilities at fair value through profit or loss of RMB18,811,000 and net exchange gain of RMB24,114,000, etc.

Share of result of associates represented primarily the combined operating results attributable to the joint ventures formed with the Faurecia Group, namely FL Seating, FL Interior and FL Emission, in which, FL Seating and FL Emission were benefited from the impressive recovery in the second half of 2020 and managed to deliver operating profits for the year ended 31 December 2020. Meanwhile, despite its loss making situation in 2020, business performance of FL Interior had also be gradually improved in the second half of 2020 as a result of the recovery of the automobile industry in the PRC.

Share of results of joint ventures registered a total net losses of RMB17,412,000 for the year ended 31 December 2020 primarily attributable to the net operating losses of Liuzhou Lingte and AAMJV, where the scale operations were yet to kick started during the year, whereas, Guangxi Weixiang which business continued to deliver a set of profitable results during the year ended 31 December 2020 due to the stable business environment of its business segment.

Selling and distribution costs of the Group comprised primarily transportation costs, staff costs and other marketing expenses were in aggregate RMB250,695,000 for the year ended 31 December 2020, representing a substantial increase of 36.0% as compared to previous year which was mainly due to an increase in the warranty expenses, as well as the marketing and promotion expenses associated with the launches of new products by the Group during the year.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, projects expenses, consumables and other administrative expenses were in aggregate RMB672,363,000 for the year ended 31 December 2020, representing a moderate decrease of 13.0% as compared to previous year, in which government subsidies and concessions associated with COVID-19, amounting to approximately RMB71 million for staff related costs had been taken into account. Besides, facing the tough and highly competitive business environment, the Group had continued to implement various cost control measures in containing the general and administrative expenses of the Group aiming at alleviating the adverse impact from a tightening gross profit margin and promoting competitiveness and efficiency.

FINANCIAL REVIEW

Research and development expenses for the year ended 31 December 2020 amounted to RMB205,167,000, representing a moderate increase of 5.2% as compared to previous year due to continuous launches of new products and the implementation of certain technological upgrade and enhancement projects by the Group. Besides, riding on the momentum of a swift recovery from the second half of 2020 and the supportive government policies towards new energy vehicles, the Group had also actively pursued the new development projects for new energy vehicles and the EV components to cope with the surging demands from this high potential market segment.

Finance costs for the year ended 31 December 2020 amounted to RMB216,577,000, representing a significant increase of 47.1% as compared to previous year due to increases in borrowings and bill discounting activities by the Group during the year. The finance costs had also included an amount of RMB18,664,000 incurred for the convertible loan notes of the Company, calculated on the effective interest rates method. This convertible loan notes had been fully redeemed by the Company on maturity in May 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020, total assets and total liabilities of the Group stood at RMB15,403,024,000 and RMB12,909,988,000 respectively.

Non-current assets amounted to RMB4,476,904,000 comprised mainly property, plant and equipment, investment properties, right-of-use assets, interests in joint ventures and associates, etc. The total carrying values of the property, plant and equipment had taken into account of the total capital expenditure of RMB343,547,000 arising from purchasing property, plant and equipment, deprecation charge of RMB278,227,000 and impairment losses of RMB55,069,000 mainly attributable to the plant and equipment in the automotive components and other industrial services division in the PRC and in Indonesia incurred during the year.

Current assets amounted to RMB10,926,120,000 comprised mainly inventories of RMB1,357,159,000, trade and other receivables of RMB3,752,413,000, bills receivables at fair value through other comprehensive income of RMB4,177,028,000 (inclusive of bills receivables discounted with recourse but not yet matured amounting to RMB3,148,527,000), pledged bank deposits of RMB681,745,000 and bank balances and cash of RMB946,575,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,493,646,000 was recorded as trade and other receivables in the consolidated statement of financial position. These receivables balances were subject to normal commercial settlement terms.

Current liabilities amounted to RMB12,810,643,000, comprised mainly trade and other payables of RMB7,581,995,000, contract liabilities of RMB497,840,000, lease liabilities of RMB36,273,000, provision for warranty of RMB95,961,000, bank and other borrowings — due within one year of RMB1,455,756,000 and advances drawn on bills receivables discounted with recourse of RMB3,142,818,000. The corresponding bills receivables discounted with recourse to these advances amounting to RMB3,148,527,000 were recorded as bills receivables at fair value through other comprehensive income as at 31 December 2020, which would be offset against upon maturity.

The Group recorded net current liabilities of RMB1,884,523,000 as at 31 December 2020, which was increased as compared to the net current liabilities of RMB1,304,476,000 as at 31 December 2019, due to the shifting of the long term bank and other borrowings to other short term financing (bank borrowings and advances drawn on bills receivables discounted with recourse) during the period for enjoying lower interest rates.

Non-current liabilities amounted to RMB99,345,000 comprised mainly lease liabilities of RMB6,977,000, contract liabilities of RMB10,939,000, deferred tax liability of RMB30,945,000 and amount due to an associate of RMB50,000,000.

LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 December 2020, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the drawdown of bank borrowings, loans from ultimate holding company and the bill receivables discounted.

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

As at 31 December 2020, total bank balances and cash maintained by the Group amounted to RMB946,575,000. Besides, pledged bank deposits amounting to RMB681,745,000 were also maintained to secure the banking facilities offered to the Group (mainly bills payable facilities).

The Group's bank and other borrowings — due within one year (other than advances drawn on bill receivables discounted with recourse) amounted to RMB1,455,756,000 as at 31 December 2020, which were increased by approximately 52.4% as compared to the corresponding figures as at 31 December 2019, due to the Group's financing strategy for the shift of the long term bank and other borrowings to short term bank borrowings for containing finance costs. Correspondingly, bank and other borrowings — due after one year were substantially reduced from RMB720,000,000 as at 31 December 2019 to RMB484,000 as at 31 December 2020.

As at 31 December 2020, the outstanding advances drawn on bill receivables discounted with resource maintained at RMB3,142,818,000. The corresponding bill receivables discounted with recourse to these advances amounting to RMB3,148,527,000 were recorded as bills receivables at fair value through other comprehensive income which would be offset against upon maturity.

Resulting from the shift of the long term bank and other borrowings to short term bank borrowings for containing finance costs, at 31 June 2020 the Group's net current liabilities amounted to RMB1,884,523,000, representing a substantial increase of approximately 44.5% as compared to the Group's net current liabilities of RMB1,304,476,000 as recorded at 31 December 2019.

FINANCIAL REVIEW

On 2 January 2020, the Company announced a rights issue exercise for the raising of a total of approximately HK$205.01 million, before expenses, by way of the issue of new Shares of the Company on the basis of one (1) rights share for every two (2) shares held on 21 February 2020 (i.e., the record date) at the subscription price of HK$0.20 per rights share (the "Rights Issue"). In the Rights Issue, Wuling (Hong Kong) Holdings Limited and Dragon Hill Development Limited, respectively controlling and substantial shareholder of the Company, had irrevocably and unconditionally undertaken to, among other things, apply for and pay for the certain number of rights shares of the Company as provisionally allotted to them, whereas, the rights shares not taken up by the shareholders of the Company were fully underwritten by the underwriter and/or other sub-underwriters to the Rights Issue. The net proceeds of the Rights Issue which amounted to approximately HK$200.01 million was fully used as a partial repayment of all of the outstanding amount of the convertible loan notes of the Company in the amount of approximately HK$260.00 million (including both outstanding principal and related interests) upon its maturity on 23 May 2020.

The Rights Issue subsequently became unconditional on 10 March 2020 and was completed on 16 March 2020 where a total number of 1,025,053,777 new Shares were allotted and issued accordingly. Further details of the Rights Issue are available in the Company's announcements dated 2 January, 2020, 29 January 2020 and 16 March 2020 and the Company's prospectus dated 24 February 2020. On 23 May 2020, the convertible loan notes were fully redeemed by the Company.

Subsequent to the reporting period, on 21 January 2021, the Company announced a top-up placing and subscription exercise under the general mandate obtained from the shareholders of the Company during the annual general meeting of the Company held on 30 June 2020. Upon which a total number of 223,000,000 new Shares were issued at HK$2.47 per Share, raising a net proceeds of approximately HK$537.8 million for the purposes of, inter alia, financing the research and development projects of the new model electric logistic vehicles of the Group and the repayment of certain interest-bearing short term borrowings of the Company. This top-up placing and subscription exercise, which was completed on 1 February 2021, would also help to further strengthen the financial position of the Group. Further details of this exercise are available in the Company's announcements dated 21 January, 2021 and 1 February 2021.

Total equity attributable to the owners of the Company, comprised primarily the share premium, PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits , amounted to RMB1,474,565,000 as at 31 December 2020. Net asset value per share was approximately RMB48 cents as at 31 December 2020.

FINANCIAL REVIEW

In view of the dynamic business environment and the risks and exposures associated with the automobile industry, the Group had been and would cautiously implement its strategic and business plans such that the financial position in terms of the net assets of the Group and attributable to the owners of the Company, the amount of net current liabilities and the gearing ratio of the Group would be sustained in a financial healthy position. The Directors consider the current financial position of the Group will enable it to withstand the risks and challenges under the current market environment.

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

PLEDGE OF ASSETS

At 31 December 2020, an investment property held by the Group in Hong Kong with an aggregate value of RMB5,391,000 was pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB681,745,000 were pledged to the banks mainly to secure certain banking facilities offered to the Group. The Group also discounted certain bills receivables during the year ended 31 December 2020 for financing its operations. As at 31 December 2020, the aggregate amount of outstanding discounted bills receivables at fair value through comprehensive income was RMB3,148,527,000.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

At 31 December 2020, the Group maintained trade and other payables equivalent to an aggregate amount of RMB7,300,000 and Hong Kong dollar bank deposits equivalent to an aggregate amount of RMB851,000. Bank and other borrowings equivalent to an aggregate amount of RMB80,946,000. In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be reasonable and would monitor the foreign exchange exposures of the Group as well as the prevailing market condition in arriving at appropriate strategy.

COMMITMENTS

At 31 December 2020, the Group has outstanding commitments, contracted but not provided for in the financial statement, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB213,828,000.

CONTINGENT LIABILITIES

At 31 December 2020, the Group did not have any contingent liabilities.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

YUAN Zhijun

Mr. Yuan Zhijun, aged 55, Chairman of the Board and the Nomination Committee, was appointed as Executive Director on 4 November 2016. Mr. Yuan graduated from the Huazhong University of Science and Technology in China with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan holds directorships of a number of subsidiaries and member companies of the Group. He is currently a director and the chief executive of our principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited* (柳州五菱汽車工業有限公司) ("**Wuling Industrial**"), a joint-venture enterprise owned by the Company and Guangxi Automobile Holdings Limited* (廣西汽車集團有限公司) ("**Guangxi Automobile**")— the ultimate holding company of the Company. Mr. Yuan is also currently the vice chairman of the board of directors and chief executive of Guangxi Automobile. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively, the immediate holding company and the intermediate holding company of the Company. Since his joining to the group of Guangxi Automobile in 1987, Mr. Yuan has held various positions within the group of Guangxi Automobile and has over 30 years' of extensive experience in the production, product design and development, human resources and corporate management of the automobile industry. Mr. Yuan has also served in a number of senior positions of SAIC-GM-Wuling Automobile Co. Limited ("**SGMW**") since February 2003. He is currently a director of SGMW, which is a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Company Limited and Guangxi Automobile and is currently a major customer of the Group's businesses in engines and automotive components.

* *For identification purpose only*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LEE Shing
Vice-chairman and Chief Executive Officer

LEE Shing

Mr. Lee, aged 63, Vice-chairman of the Board and Chief Executive Officer, was appointed as Executive Director on 22 June 2006 and is currently a member of the Nomination Committee. Mr. Lee has extensive experience in the trading and manufacturing business in Hong Kong and the PRC. Mr. Lee holds directorships of a number of subsidiaries of the Group. He is currently the vice chairman of Wuling Industrial, and a director of Wuling Liuji, a subsidiary of Wuling Industrial. Besides, he is currently a member of the Committee of the Chinese People's Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is also the sole shareholder and sole director of Dragon Hill Development Limited, a substantial shareholder of the Company, which is beneficially interested in approximately 11.60% of the total issued share capital of the Company. Besides, Mr. Lee is also currently a director of Lincoln Gold Mining Inc., which is a company dual listed on the TSX Venture Exchange in Toronto, Canada, and the Frankfurt Stock Exchange in Germany.

Mr. YANG Jianyong
Executive Director

YANG Jianyong

Mr. Yang, aged 54, was appointed as Executive Director on 4 November 2016. Mr. Yang holds directorships of a number of subsidiaries and member companies of the Group. Mr. Yang graduated with an accounting degree from the Faculty of Accounting in the Central South University in China and also holds a master degree in Accountancy from The Chinese University of Hong Kong. Mr. Yang is currently a director of Wuling Industrial. Mr. Yang is also Independent Director, Chief Accountant, General Counsel, Financial Officer of Guangxi Automobile in charge of the finance, legal departments and supervisory board. He is also a director of Wuling (Hong Kong) Holdings Limited and Wuling Motors (Hong Kong) Company Limited, respectively the immediate holding company and the intermediate holding company of the Company. Besides, Mr. Yang is also the chairman of the board of directors of Guangxi Yuan Heng Investment Co. Limited* (廣西元恒投資有限公司). Mr. Yang joined the group of Guangxi Automobile in 1989 and has about 30 years' of extensive experience in the finance, accounting, legal and corporate financial system institutionalization aspects of the automobile industry. Mr. Yang also served in the senior position of the finance department of SGMW from December 2003 to April 2009, and has been the supervisor of SGMW since July 2016.

* *For identification purpose only*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. WEI Mingfeng
Executive Director

WEI Mingfeng

Mr. Wei, aged 46, was appointed as Executive Director on 24 March 2021. Mr. Wei is currently a director and deputy general manager of Wuling Industrial, our principal subsidiary, supervising the divisions of human resources and purchasing. Mr. Wei is also currently a director of certain subsidiaries and associated companies of the Group, which include Wuling Liuji, Faurecia (Liuzhou) Automotive Seating Sales Co., Limited* (佛吉亞(柳州)汽車座椅銷售有限公司) and Guangxi Weixiang Machinery Company Limited* (廣西威翔機械有限公司), Mr. Wei is also the chairman of the board of directors of Faurecia (Liuzhou) Emission Control Technologies Co., Limited* (佛吉亞(柳州)排氣控制技術有限公司). Besides, Mr. Wei is the assistant to the chief executive of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wei graduated from Tianjin University majoring in Chemical Mechanical Engineering and holds a master degree in business administration of Huazhong University of Science and Technology and holds the profession as a senior engineer. Mr. Wei joined the group of Guangxi Automobile in 1996 and has over 24 years' of extensive experience in business operations, production management, quality control, human resources management, purchasing and supply chain management of the automotive components industry.

Mr. YE Xiang
Independent Non-executive Director

YE Xiang

Mr. Ye, aged 57, was appointed as Independent Non-executive Director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited ("**Vision Gain**"), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 20 years' of experience in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his founding of Vision Gain, Mr. Ye was the director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye is currently the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

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DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. WANG Yuben
Independent Non-executive Director

Mr. MI Jianguo
Independent Non-executive Director

WANG Yuben

Mr. Wang, aged 65, 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. Mr. Wang has more than 38 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Mr. Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

MI Jianguo

Mr. Mi, aged 70, was appointed as an Independent Non-executive Director on 1 September 2017. Mr. Mi is a Ph.D. in Economics, has engaged in the fields of education and research in the PRC for more than 30 years. Mr. Mi served as a teacher at the Hebei University (河北大學) from August 1982 to December 1990. From December 1990 to February 2012, he served as a researcher, vice minister and minister of the macro-research department, and the manager of the information center at the Development Research Center of the State Council in the PRC (國務院發展研究中心). He was also the chairman of the board of the State Research Information Technology Co., Ltd (國研信息科技有限公司) and the president of magazine "Economic Participation" (經濟要參雜誌社). Mr. Mi was also rewarded a qualified certificate of Senior Management of Insurance institutions from The China Insurance Regulatory Commission. Mr. Mi is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTOR

Mr. WANG Zhengtong

Mr. Wang, aged 49, was appointed as Executive Director on 28 February 2019. Mr. Wang has served as a director of several subsidiaries and member companies of the Group, including the assistant to the chief executive and the controller of the investment and development department of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wang has extensive experiences in the automotive industry in the aspects of planning and investment, international marketing, asset management and technical re-engineering. Mr. Wang resigned as Executive Director on 29 January 2021 due to his own personal reason of having other new business commitment.

SENIOR MANAGEMENT

Mr. WEI Hongwen

Mr. Wei, aged 58, served as Executive Director from 10 September 2007 to 4 November 2016 and as the Chairman of the Board and a member of the Nomination Committee (redesignated as chairman from 20 March 2015) from 31 October 2014 to 4 November 2016. Mr. Wei is currently the chairman of the board of directors and the Secretary of the party committee of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wei is also the chairman of the board of director and the Secretary of the party committee of Wuling Industrial, a principal subsidiary of the Company. Mr. Wei obtained a master degree in world economics from Sun Yat-Sen University in 1995 and is a professor level senior engineer. Mr. Wei has more than 30 years' of experience in the automobile manufacturing industry. Mr. Wei is also the vice chairman of SGMW.

Mr. LAI Shi Hong, Edward

Mr. Lai, aged 56, currently Chief Financial Officer and Company Secretary of the Company, is responsible for overseeing our finance, accounting and company secretarial functions. He is also a director of Wuling Industrial, our principal subsidiary. Mr. Lai has more than 30 years' of experience in finance, accounting and business management. Mr. Lai graduated from the University of Hong Kong and the Hong Kong Baptist University and holds a Bachelor of Arts degree and a Master of Science degree in Corporate Governance and Directorship respectively. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. WEN Daizhi

Mr. Wen, aged 57, is currently the deputy general manager and the chief engineer of Wuling Industrial, our principal subsidiary. He is also the chairman of the board of directors of Wuling Liuji, a subsidiary of Wuling Industrial and the vice president and chief engineer of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wen graduated from the Engineering Thermophysics Department of Tianjin University majoring in internal combustion engine and possessed a postgraduate qualification in Power Machinery and Engineering of Guangxi University. He is a professor level senior engineer. Mr. Wen has over 30 years' of extensive experience in the production, marketing and corporate management of the automotive engines industry.

Mr. WANG Xu

Mr. Wang, aged 51, is currently the deputy party secretary, chairman of the labour union and the supervisor of Wuling Industrial, our principal subsidiary, who is responsible for overseeing the human resources functions of the Group. He is also currently the staff-nominated director, deputy party secretary and chairman of the labour union of Guangxi Automobile, the ultimate holding company of the Company. Mr. Wang graduated from Hubei University of Technology in mechanical and electrical engineering. He also holds a master degree in engineering from Wuhan University of Technology. His profession is senior engineer. Mr. Wang has been engaged in the automobile industry in China since his joining to Guangxi Automobile Group in 1994. Mr. Wang has over 30 years' of extensive experience in the technical, quality control and business management of the automobile industry.

Mr. CHEN Xiaofeng

Mr. Chen, aged 46, is currently the deputy general manager of Wuling Industrial, our principal subsidiary. Mr. Chen is also the deputy vice president of Guangxi Automobile, the ultimate holding company of the Company. Mr. Chen graduated from the College of Material Science and Engineering of Chongqing University. He obtained a master degree in Public Administration from Wuhan University of Science and Technology, his profession is senior engineer. Mr. Chen has been engaged in the automobile industry in China since his joining to Guangxi Automobile Group in 1997. He has over 20 years' of extensive experience in the production operation, sales, purchasing and supply chain management of the car assembly and automotive components industry.

Mr. LI Weimin

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. LI Huanyu

Mr. Li, aged 58, is currently the deputy general manager of Wuling Industrial, our principal subsidiary and a director and the general manager of Wuling Liuji, a subsidiary of Wuling Industrial. Mr. Li graduated from Wuhan College of Engineering majoring in agricultural machinery and is also a post-graduate student of the Department of Mechanical Manufacturing and Automation of Guangxi University. His profession is senior engineer. Mr. Li has over 36 years' of extensive experience in the automotive engines industry specializing in production management, purchasing and technology research.

Mr. LIU Yourong

Mr. Liu, aged 49, is currently the deputy general manager of Wuling Industrial, our principal subsidiary. Mr. Liu graduated from China University of Mining majoring in Accounting and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is senior accountant. Mr. Liu has over 24 years' of extensive experience in cost management and institutionalization of the financial system.

Mr. ZHAN Qiangmin

Mr. Zhan, aged 50, is currently the deputy general manager and assistant to general manager of Wuling Industrial, our principal subsidiary. Mr. Zhan graduated from Department of Mechanical Manufacturing and Technology of Guangxi University, and holds a master degree in business administration of Huazhong University of Science and Technology. His profession is engineer. Mr. Zhan has over 25 years' of extensive experience in the production management, quality control and efficiency of the automotive components industry.

Ms QIN Jiaoling

Ms. Qin, aged 45, is currently a chief financial officer, general counsel and an assistant to general manager of Wuling Industrial, our principal subsidiary. Ms Qin graduated from Guangxi University and holds a master degree in Business Administration, her profession is senior accountant. Ms. Qin has over 24 years' of extensive experience in cost management, financial management and institutionalization of the financial system.

CORPORATE GOVERNANCE REPORT

The board of directors ("**Board**") of the Company is pleased to present this corporate governance report in the Company's annual report for the year ended 31 December 2020.

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

The Company has currently applied the Principles and reviewed regularly its corporate governance practices to ensure compliance with the CG Code. During the financial year ended 31 December 2020, the Company confirmed that it has fully complied with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

THE BOARD

Responsibilities

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

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

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

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

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

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

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

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

Composition

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

Current Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Yang Jianyong
Mr. Wei Mingfeng
(appointed on 24 March 2021)

Independent Non-Executive Directors

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

Past Executive Director

Mr. Wang Zhengtong
(resigned on 29 January 2021)

Mr. Yuan Zhijun and Mr. Yang Jianyong (who were appointed as executive Directors on 4 November 2016), Mr. Wei Mingfeng (who was appointed as executive Director on 24 March 2021) and Mr. Wang Zhengtong (who was appointed as executive Director on 28 February 2019 and resigned on 29 January 2021), were respectively nominated by 廣西汽車集團有限公司 (Guangxi Automobile Holdings Limited* "**Guangxi Automobile**"), the ultimate controlling Shareholder. Save for Mr. Wang Zhengtong who resigned on 29 January 2021 as Director and ceased to hold any position in Guangxi Automobile and/or its subsidiaries, all of the other executive Directors abovenamed are currently acting as directors and/or senior executives of Guangxi Automobile or its member group.

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

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

The Board has a balanced composition and strong independent element. The biographical details of all the current Directors are set out in the section headed "**DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**" from pages 41 to 44 in this annual report and are available on the Company's website (www.wuling.com.hk), which demonstrate a diversity of skills, expertise, experience and qualifications of the composition of the Board.

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

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

The Company has received written annual confirmation from each independent non-executive Director of his independence for the year ended 31 December 2020 pursuant to the Rule 3.13 of the Listing Rules, amended from time to time. The Board and the Nomination Committee has considered and agreed all independent non-executive Directors are independent during the year in accordance with the independence guidelines set out in the Rule 3.13 of the Listing Rules, as amended from time to time.

Appointment, Re-election and Resignation of Directors

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

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

During the year ended 31 December 2020 and up to the date of this report, Mr. Wang Zhengtong resigned as an executive Director on 29 January 2021 due to his own personal reason of having other business commitment. Mr. Wei Mingfeng was appointed as an executive Director with effect on 24 March 2021.

At the 2020 annual general meeting of the Company held on 30 June 2020 (the "**2020 AGM**"), Mr. Lee Shing and Mr. Yang Jianyong, being executive Directors, and Mr. Mi Jianguo, being independent non-executive Director, all retired from the Board by rotation. All of them were then re-elected as executive Director or independent non-executive Director respectively by the Shareholders at the 2020 AGM.

Meanwhile, in accordance with the Company's bye-law 91, Mr. Wei Mingfeng duly appointed by the Board with the recommendation from NC to fill the causal vacancy on 24 March 2021, and will retire from the Board as the Director at the forthcoming general meeting of the Company and he, being eligible, be proposed to be re-elected as the Director by the Shareholders at the same meeting.

In accordance with the Company's bye-laws and the Appendix 14 of the Listing Rules and the byelaw 99(B) of the Company, Mr. Yuan Zhijun, being executive Director, Mr. Ye Xiang and Mr. Wang Yuben, being independent non-executive Directors, will retire from the Board by rotation at the conclusion of annual general meeting of the Company to be held on 10 June 2021 (the "**2021 AGM**") and Mr. Yuan Zhijun, Mr. Ye Xiang and Mr. Wang Yuben, being eligible, offer themselves for re-election as Director by respective separate resolutions to be passed by the Shareholders at the 2021 AGM. The Board and the Nomination Committee has also recommended the re-election of Mr. Yuan Zhijun, Mr. Ye Xiang and Mr. Wang Yuben standing for re-election at the 2021 AGM.

Detailed information of Mr. Yuan Zhijun, Mr. Ye Xiang and Mr. Wang Yuben standing for re-election at the 2021 AGM be stated in the Company's circular as per the Listing Rules will be dispatched to Shareholders with this annual report.

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

For independent non-executive Director who has served the Company for more than nine years, his 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 is still independent and should be re-elected. Mr. Ye Xiang has served as an independent non-executive Director for over nine years in his further re-election as Director at the 2021 AGM. Mr. Ye Xiang has made a written annual confirmation of independence for the year ended 31 December 2020 pursuant to Rule 3.13 of the Listing Rules, as amended from time to time. The NC has considered the independence of Mr. Ye Xiang.

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

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

CORPORATE GOVERNANCE REPORT

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

Training for Directors

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

An induction programme covering the abovementioned matters was therefore arranged for Mr. Wei Mingfeng, an executive Director, when he joined the Board in March 2021, that helped him fully aware of his responsibilities and the obligations in the Company and under the Listing Rules.

During the year ended 31 December 2020, a half day training course conducted by a professional training firm which covered the updated Listing Rules and other relevant applicable regulatory and compliance requirements was arranged by the Company which were attended by all Directors and other senior executives of the Group. Besides, chief financial officer of the Company, who is also the company secretary of the Company ("**Company Secretary**"), and the Management keeps circulating articles, news and monthly reports, which are related to the Group's financial information, business, economy, market change, development of the Company as well as the change in rules and regulations, if any, to Directors from time to time to update, refresh and strengthen Directors' knowledge and skills. Furthermore, all Directors are also encouraged to attend other relevant training courses at the Company's expense. The Company Secretary is responsible to keep records of training taken by each Director.

During the year, the record of trainings of the Directors, on named basis, is set out in the table below:

Directors	Attended half day training course conducted by professional training firm which covered updated Listing Rules and other relevant applicable regulatory and compliance requirement	Receiving monthly reports related to the Group's operation performance and development	Reading journals, articles, news, materials and updates related to business, economy, market change and change in rules and regulations
Executive Directors			
Mr. Yuan Zhijun	✓	✓	✓
Mr. Lee Shing	✓	✓	✓
Mr. Yang Jianyong	✓	✓	✓
Mr. Wei Mingfeng**	✓	N/A	N/A
Mr. Wang Zhengtong*	✓	✓	✓
Independent Non-executive Directors			
Ye Xiang	✓	✓	✓
Wang Yuben	✓	✓	✓
Mi Jianguo	✓	✓	✓

* resigned on 29 January 2021
** appointed on 24 March 2021

BOARD MEETINGS

Number of Meetings and Directors' Attendance

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

The Board requires Directors to devote sufficient time and attention to discharge their duties and responsibilities. During the year ended 31 December 2020, a total number of five (5) meetings (including five (5) regular meetings) of the Board, three (3) meetings of the Audit Committee, one (1) meeting of the Nomination Committee and one (1) meeting of the Remuneration Committee were held by the Company.

During the year, the Board has regularly reviewed the contributions from each Director and confirmed that they have spent sufficient time performing their duties and responsibilities to the Company. The individual attendance records of each Director at the meetings of the Board, the Audit Committee, the Remuneration Committee and Nomination Committee, as well as the 2020 AGM and special general meetings of the Company (the "**SGM**") held during the year ended 31 December 2020 are set out below:

Directors' Attendance Record

	Attendance record of Directors at the meetings in 2020					
Name of Directors	AGM	SGM	Board	AC	RC	NC
No. of meeting	1	2	5	3	1	1
Executive Directors						
Mr. Yuan Zhijun	0/1	0/2	5/5	NA	NA	1/1
Mr. Lee Shing	1/1	2/2	5/5	NA	NA	1/1
Mr. Yang Jianyong	0/1	0/2	5/5	NA	NA	NA
Mr. Wei Mingfeng[1]	0/0	0/0	0/0	NA	NA	NA
Mr. Wang Zhengtong[2]	0/1	0/2	5/5	NA	NA	NA
Independent Non-executive Directors						
Mr. Ye Xiang	1/1	2/2	5/5	3/3	1/1	1/1
Mr. Wang Yuben	0/1	0/2	5/5	3/3	1/1	1/1
Mr. Mi Jianguo	0/1	0/2	5/5	3/3	1/1	1/1

Notes:

1. appointed on 24 March 2021.

2. resigned on 29 January 2021.

CORPORATE GOVERNANCE REPORT

Practices and Conduct of Meetings

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

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

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

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

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

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

CHAIRMAN, CHIEF EXECUTIVE OFFICER, DIRECTORS

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

During the year ended 31 December 2020, the chairman of the Board is Mr. Yuan Zhijun, whereas, the chief executive officer of the Company is Mr. Lee Shing respectively, who have no relationship with each other. The roles of the chairman of the Board and the chief executive officer of the Company have been segregated and assumed by them separately such that Mr. Yuan Zhijun, the chairman of the Board, has executive responsibilities and provides leadership to the Board in terms of establishing policies, strategies and business directions of the Company. He ensures that the Board works effectively and performs its duties and responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He also ensures all Directors are properly briefed on issues to be discussed at Board meetings. He takes primary responsibility for ensuring that good corporate governance practices and procedures are established and followed. He did and would encourage all Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interest of the Company and the Shareholders as a whole. Mr. Lee Shing, as the chief executive officer, has been delegated with the authorities for the overall operations and the executive responsibilities of the Group and full implementation of the directions and policies established by the Board.

During the financial year ended 31 December 2020, the chairman of the Board has held one meeting with the independent non-executive Directors without the other executive Directors present. The chairman of the Board did and would encourage all the Directors with different views to voice their concerns, allowed sufficient time for discussion of issues raised and ensured that Board decisions fairly reflect Board consensus. The chairman of the Board supported a culture of openness and debate by facilitating the effective contribution of independent non-executive Directors in particular and ensuring constructive relations between executive and independent non-executive Directors. The chairman of the Board keeps effective communication channel with the Shareholders and ensure the Shareholders' views are communicated to the Board as a whole.

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

The independent non-executive Directors keep bringing a wide range of business and financial expertise, skills, experiences, knowledges and independent judgment on the issues of strategies, policies, performance accountability, operation, management, development, resources, key appointments, connected transactions and standards of conduct to the Board of the Company. Through regular attendance and active participation in meetings of the Board and Committees and/or general meetings of the Company, studying monthly reports, taking the lead in managing issues involving potential conflict of interests among Directors and serving on Committees, all independent non-executive Directors did and would make various contributions to the effective performance, operation, direction and development of the

Company. Independent Board Committee comprising all independent non-executive Directors did and will be formed to advise the independent Shareholders on those connected transactions approved and to be approved by the independent Shareholders at the special general meeting of the Company. One of the independent non-executive Directors possesses the appropriate professional qualifications, or accounting or related financial management expertise. The independent non-executive Directors are also members of various Committees and devote sufficient amount of time and attention to the affairs of the Company.

BOARD COMMITTEES

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

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

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

Remuneration Committee

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

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

The Remuneration Committee held one (1) meeting during the year ended 31 December 2020 to, inter alia,

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

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

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

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

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

The attendance records of the meeting of the Remuneration Committee during the year ended 31 December 2020 are set out under the section of "**BOARD MEETINGS**" on page 55.

Audit Committee

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

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

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

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

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

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

The Audit Committee held three (3) meetings during the year ended 31 December 2020 to, inter alia,

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

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

c) review the relationship with the external auditor and then recommend the retirement of the former external auditor of the Company at the 2020 AGM and then appointment of the new external auditor (who is current external auditor) of the Company at the same meeting, i.e. 2020 AGM and recommend its remuneration;

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

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

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

g) review the new/current continuing connected transactions.

The attendance record of the meetings of AC during the year ended 31 December 2020 are set out under the section of "**BOARD MEETINGS**" on page 55.

Nomination Committee

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

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

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

Objective of the policy

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

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

Selection Criteria

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

    - reputation for integrity;

    - accomplishment, experiences and/or knowledge in the principal business of the Group, from time to time;

    - commitment in respect of available time and relevant interest; and

    - diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

CORPORATE GOVERNANCE REPORT

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

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

Nomination Procedures

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

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

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

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

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

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

The Nomination Committee held one (1) meeting during the year ended 31 December 2020 to, inter alia,

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

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

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

4. study the independence of each independent non-executive Director under the Listing Rules, amended from time to time, in particular, Mr. Ye Xiang, who has served the Company for more than nine years at his re-election as the Director at the 2021 AGM;

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

6. propose the maximum number of Directors of the Board in each of annual general meeting of the Company; and

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

The attendance records of the meeting of the Nomination Committee during the year ended 31 December 2020 are set out under the section of "**BOARD MEETINGS**" on page 55.

ESG Committee

The Environmental, Social and Governance Committee ("**ESG Committee**") was established on 30 December 2020. It currently comprises two independent non-executive directors including Mr. Ye Xiang (chairman of the ESG Committee) and Mr. Wang Yuben, as well as Mr. Yuan Zhijun, chairman of the Board, and Mr. Lee Shing, Vice chairman of the Board and the Chief Executive Officer.

In order to effectively follow the strategies in sustainable development and to generate long term returns for stakeholders, the ESG Committee was established for the principal objectives of monitoring the formulation and reporting work of the Group's strategies in relation to the environmental, social and governance ("**ESG**") issues, as well as assessing and defining the Group's risks in the aspects of ESG, so as to ensure the establishment of appropriate and effective ESG risk management measures and an internal control system. Through the internal reviewing procedures, the Board, with the assistance of the ESG Committee regularly arranges independent assessments and analyses the effectiveness and comprehensiveness of the related systems and procedures, so as to enhance the Group's ESG governance.

The ESG Committee operates pursuant to its terms of reference which duties include the followings:

1. To develop and review a Board statement in relation to ESG issues for Board's consideration and approval, including (i) the Board's oversight role of ESG issues; (ii) the process used to identify, evaluate and manage material ESG-related issues; and (iii) how the Board reviews progress made against ESG-related goals and targets;

2. To provide vision, long term guidance and report to the Board on the Group-level sustainability goals, strategies and priorities;

3. To report to the Board key trends in legislation, regulation, litigation and public debate as regards social, environmental and ethical standards of corporate behavior, and recommend anticipatory measures and plans for the Company;

4. To assess ESG risks, advise on those of strategic significance to the Company and provide anticipatory and mitigation plans;

5. To review material interests of the key stakeholders of the Company and report their point-of-views on material issues to the Company in order to secure correct long term strategic direction;

6. To review and report to the Board the Group's sustainability performance vs. declared key performance indicators and goals, relative to comparable peers or other benchmarked companies on a regional and global basis;

CORPORATE GOVERNANCE REPORT

7. To review and report to the Board the relevance of sustainability stock/ESG indices, and the performance of the Group relative to the requirements of those indices and the desirability of the Group inclusion in those indices;

8. To review/approve related the Group policies and make recommendations to the Board on any changes to those partnerships, strategies and policies;

9. To review and report to the Board on other related recommendations and submissions for ESG; and

10. To review and advise the Board on the Company' public reporting regarding its performance on sustainability, approving the ESG report before submitting to the Board for final endorsement.

CORPORATE GOVERNANCE

The Board is responsible for performing the corporate governance duties. During the year ended 31 December 2020, the Board, inter alia

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Company for the year ended 31 December 2020 by the auditors of the Company, KPMG, about their reporting responsibilities. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

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

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the audited consolidated financial statements for the year ended 31 December 2020 is set out in the "**INDEPENDENT AUDITOR'S REPORT**" on pages 90 to 95 in this annual report.

Apart from the provision of audit services, KPMG, 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 2020, KPMG, 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:

	2020 *RMB'000*
Annual audit services	1,519
Interim review services	506
Other services	–

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

The Board monitors the Group's business risks, operating risk management and internal controls. An internal audit department is also maintained to carry out the internal audit functions to ensure proper compliance with the internal control and risk management system to identify the potential risks which may arise in the operation and financial aspects of the Group's business for implementation of appropriate measures and policies on a continuing basis. The scope of review and the audit plan of the internal audit department for the year ended 31 December 2020, which are formulated based on a risk assessment approach and focuses on areas with relatively higher perceived risks, are reviewed and approved by the Audit Committee in conjunction with the Management. The internal audit department executes their functions based on a yearly plan and prepares reports for their assignments. These reports are submitted to the Management, the Board and the Audit Committee for review on a regular basis.

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

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

Handling of Inside Information

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

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

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

Dissemination of Inside Information

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

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

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. He is reporting to the chairman of the Board and the Chief Executive Officer. For the year ended 31 December 2020, the Company Secretary has complied with the Listing Rules by taking not less than 15 hours of relevant professional training. All Directors have access to the advice and services of the Company Secretary to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

REPORT OF THE DIRECTORS

The directors of the Company ("**Directors**") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively as the "**Group**") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the sections of "**CHAIRMAN'S STATEMENT**", "**REPORT OF THE CEO**", "**OPERATION REVIEW**" and "**FINANCIAL REVIEW**" set out on pages 2 to 41 of this annual report. These sections form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the sections of "**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**" of this annual report on page 96.

The Directors recommended the payment of a final dividend of HKD0.3 cent (2019: HKD0.3 cent) per ordinary share of the Company (the "**Share(s)**") for the year ended 31 December 2020 (the "**Final Dividend**")to the members of the Company (the "**Shareholder(s)**"), whose names shall be on the register of members of the Company on 28 June 2021, amounting to approximately HKD9,894,000 (equivalent to approximately RMB8,331,000), subject to the approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Thursday, 10 June 2021 (the "**2021 AGM**").

CLOSURE OF REGISTER OF MEMBERS

For Attendance of 2021 AGM

The register of members of the Company will be closed from Monday, 7 June 2021 to Thursday, 10 June 2021 (both dates inclusive) (the "**1st Book Close Period**"), for the purpose of determining the Shareholders' eligibility to attend and vote at the 2021 AGM and during the 1st Book Close Period no transfer of the Shares will be effected. In order to qualify for attendance of the 2021 AGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 4 June 2021.

For Entitlement to Final Dividend

The register of members of the Company will be closed from Wednesday, 23 June 2021 to Monday, 28 June 2021 (both days inclusive) (the "**2nd Book Close Period**"), for the purpose of determining the Shareholders' entitlement to the Final Dividend and during the 2nd Book Close Period no transfer of the Shares will be effected. In order to qualify for entitlement to the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 22 June 2021. Subject to the approval of the Final Dividend by the Shareholders in the 2021 AGM, the dividend warrants of the Final Dividend will be dispatched to the Shareholders on or before 30 July 2021.

DIVIDEND POLICY

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

Purpose

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

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

Factors when considering the distribution of dividend

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

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

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

Provisions with regard to distribution of dividend

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

All of the Shareholders have equal rights to dividend.

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the "**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**" of this annual report on page 99.

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

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

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

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

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

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	15,382,213	14,237,305	15,120,199	16,123,895	16,677,695
(Loss)/profit before tax	(25,624)	(181,894)	120,734	385,348	399,883
Income tax credit/(expense)	3,757	15,279	4,461	(103,564)	(119,610)
(Loss)/profit for the year	(21,867)	(166,615)	125,195	281,784	280,273
(Loss)/profit for the year attributable to:					
Owner of the Company	(33,403)	(124,026)	70,673	173,158	140,462
Non-controlling interests	11,536	(42,589)	54,522	108,626	139,811
	(21,867)	(166,615)	125,195	281,784	280,273
Total assets	15,403,024	15,692,556	13,127,161	11,707,640	12,382,921
Total liabilities	(12,909,988)	(13,387,233)	(10,648,312)	(9,219,780)	(10,247,750)
Net assets	2,493,036	2,305,323	2,478,849	2,487,860	2,135,171
Net assets attributable to:					
Owner of the Company	1,474,565	1,310,604	1,443,639	1,442,682	1,176,145
Non-controlling interests	1,018,471	994,719	1,035,210	1,045,178	959,026
	2,493,036	2,305,323	2,478,849	2,487,860	2,135,171

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

The Group revalued its investment properties at the year ended on 31 December 2020. The net increase in fair value of the investment properties of the Group, which has been credited directly to consolidated income statement of profit or loss and other comprehensive income, amounted to RMB29,442,000 (2019: net increase of RMB4,921,000).

Details of these and other movements during the year in the property, plant and equipment, right-of-use assets and investment properties of the Group are set out in notes 13, 14 and 15 to the consolidated financial statements of this annual report, respectively.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements of this annual report.

CONVERTIBLE LOAN NOTES AND RIGHTS ISSUE

Convertible Loan Notes

On 23 May 2017, the Company issued a convertible loan notes of a principal amount of HKD400,000,000 ("**Convertible Loan Notes**") to Wuling (Hong Kong) Holdings Limited ("**Wuling HK**"), our controlling Shareholder, as approved by the independent Shareholders at a special general meeting of the Company held on 16 December 2016 ("**2016 SGM**"). The Convertible Loan Notes which bear interest at 4% per annum with maturity on 23 May 2020 would be eligible to be converted into a total number of 571,428,571 fully paid up Shares (subject to anti-dilutive adjustments) at an initial conversion price of HKD0.70 per Share (adjusted to HKD0.63 as per the Rights Issue (defined below) on 24 February 2020) commencing from 22 November 2017 up to the fifth business day prior to the maturity date.

In connection with the issue of the Convertible Loan Notes and as approved by the independent Shareholders at the 2016 SGM, the Company had also completed the first instalment of capital injection into 柳州五菱汽車工業有限公司 Liuzhou Wuling Motors Industrial Company Limited* ("**Wuling Industrial**"), our non-wholly-owned subsidiary, by contributing an additional sum of RMB340,000,000 in cash to Wuling Industrial ("**Capital Injection**") of which RMB161,126,100 was contributed to the registered capital and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial, respectively. Upon completion of this capital injection, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%.

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

On 29 December 2017, the Company announced that as the conditions precedents of the second instalment of capital injection of RMB250,000,000 into Wuling Industrial were not expected to be fulfilled on or before 31 December 2017, i.e. the long stop date in respect of the second instalment, the second instalment was lapsed on 31 December 2017.

Details of the above issue of the Convertible Loan Notes and the Capital Injection into Wuling Industrial were fully described in the Company's announcements dated 13 October 2016, 16 January 2017, 28 February 2017, 24 April 2017, 23 May 2017 and 29 December 2017 and the Company's circular dated 28 November 2016.

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

* *for identification purpose only*

REPORT OF THE DIRECTORS

Subsequent to the above conversion, the aggregate principal amount of Convertible Loan Notes remained outstanding was HKD250,000,000, which would be eligible to be converted into a total number of 357,142,857 fully paid up Shares (adjusted to 396,825,396 Shares as per the Rights Issue (defined below) on 24 February 2020) at adjusted conversion price of HKD0.63 per Share according to the terms and conditions of the Convertible Loan Notes.

Rights Issue

On 2 January 2020, the Company announced that (i) the Company proposed to raise a total of approximately HK$205.01 million, before expenses, by way of the issue of new Shares on the basis of one (1) rights share for every two (2) Shares held on 21 February 2020 (as determined by the respective underwriting agreement and supplemental underwriting agreement dated 2 January 2020 and 29 January 2020 respectively) at the subscription price of HK$0.20 per rights share (the "**Rights Issue**"); (ii) Wuling HK and Dragon Hill Development Limited, both being substantial Shareholders, had irrevocably and unconditionally undertaken to, among other things, apply for and pay for the certain number of rights shares of the Company as provisionally allotted to them; and (iii) the rights shares not taken up by the Shareholders were fully underwritten by the underwriter, Zhongtai International Securities Limited and/or other sub-underwriters to the Rights Issue.

The Rights Issue was subsequently become unconditional on 10 March 2020 and was completed on 16 March 2020 where a total number of 1,025,053,777 new Shares were allotted and issued on 17 March 2020. Accordingly further details of the Rights Issue are available in the Company's announcements dated 2 January, 2020, 29 January 2020 and 16 March 2020 and the Company's prospectus dated 24 February 2020.

The net proceeds of the Rights Issue which amounted to approximately HK$200.01 million was fully used as a partial repayment of all of the outstanding amount of the Convertible Loan Notes in the amount of approximately HK$260.00 million (including both outstanding principal and related interests) upon its maturity on 23 May 2020. Details information of the Convertible Loan Notes are set out in note 29 to the consolidated financial statements of this annual report.

Upon completion of the Rights Issue and according to the terms and conditions of the Convertible Loan Notes, adjustments to the conversion price and number of Shares issuable upon exercise of the conversion rights attaching to all of the outstanding principal amount of the Convertible Loan Notes shall become effective from 24 February 2020, of which the subscription price has been adjusted to HKD 0.63 per Share, whereas, the total number of Shares issuable has been adjusted to 396,825,396 Shares.

THE PLACING AND THE SUBSCRIPTION OF NEW SHARES

On 21 January 2021, the Company, Dragon Hill Development Limited (the "**Vendor**", a substantial Shareholder and currently wholly-owned by Mr. Lee Shing, the vice chairman of the Board, executive Director and chief executive officer), and Guotai Junan Securities (Hong Kong) Limited (the "**Placing Agent**") entered into a placing and subscription agreement (the "**Placing and Subscription Agreement**"), pursuant to which, (a) the Vendor has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as agent of the Vendor to procure on a best efforts basis Placees (professional, institutional or other investor(s) selected and procured by the Placing Agent, to purchase a total of 223,000,000 existing Shares (the "**Placing Shares**") beneficially owned by the Vendor and to be sold (the "**Placing**") pursuant to the Placing and

Subscription Agreement at HK$2.47 per Placing Share (the "**Placing Price**"); and (b) the Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Vendor, a total of 223,000,000 new Shares (the "**Subscription Shares**") to be allotted and issued to the Vendor (equivalent to the number of the Placing Shares) by the Company at the price per Subscription Share payable by the Vendor, which price shall be the same as the Placing Price (being HK$2.47 per Subscription Share, the "**Subscription Price**" pursuant to the terms and conditions of the Placing and Subscription Agreement (the "**Subscription**"). The 223,000,000 Placing Shares represents: (a) approximately 7.25% of the total number of Shares in issue as at the date of the Placing and Subscription Agreement; and (b) approximately 6.76% of the enlarged total number of Shares in issue upon the completion of the Subscription.

Completion of the Placing and the Subscription took place on 26 January 2021 and 1 February 2021, respectively. Upon which, a total of 223,000,000 Placing Shares have been successfully placed at the Placing Price of HK$2.47 per Placing Share by the Placing Agent to not fewer than six placees pursuant to the terms and conditions of the Placing and Subscription Agreement. Further, as all the conditions of the Subscription have been fulfilled, the Company allotted and issued 223,000,000 Subscription Shares (equal to the number of the Placing Shares successfully placed under the Placing) to the Vendor at HK$2.47 per Subscription Share on 1 February 2021. The Subscription Shares represent approximately 6.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The net proceeds from the Subscription which amounted to approximately HK$537.8 million be used for the following purposes: (i) an amount of approximately HK$300 million, representing approximately 55.8% of the net proceeds for the research and development projects of the new model electric logistic vehicles of the Group; (ii) an amount of approximately HK$95 million, representing approximately 17.7% of the net proceeds for repayment of certain interest-bearing short term borrowings of the Company; and (iii) the remaining balances of approximately HK$142.8 million, representing approximately 26.5% of the net proceeds for other possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. The net Subscription Price, after deducting such commission, fees, costs and expenses, is therefore estimated to be approximately HK$2.41 per Subscription Share.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020 (2019: Nil).

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into during the year ended 31 December 2020, save for the Convertible Loan Notes and the Rights Issue as detailed in the paragraph "**CONVERTIBLE LOAN NOTES AND RIGHTS ISSUE**" disclosed above and others, if any, disclosed in this annual report.

REPORT OF THE DIRECTORS

BORROWINGS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for respectively 48.0% and 57.0% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and the five (5) largest suppliers taken together accounted for respectively 34.9% and 43.9% of the Group's total purchases for the year.

上汽通用五菱汽車股份有限公司 SAIC-GM-Wuling Automobile Co., Ltd.* ("**SGMW**"), in which, 廣西汽車集團有限公司 ("**廣西汽車**") Guangxi Automobile Holdings Limited* ("**Guangxi Automobile**"), the ultimate controlling Shareholder, holds 5.8% of its registered capital, was the Group's largest customer and largest supplier for the year ended 31 December 2020.

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

DIRECTORS

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

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman & Chief Executive Officer)*
Mr. Yang Jianyong
Mr. Wei Mingfeng (appointed on 24 March 2021)

Independent Non-Executive Directors

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

Past Executive Director

Mr. Wang Zhengtong (resigned on 29 January 2021)

The biographical details of the current Directors are set out on pages 42 to 46 of this annual report.

Mr. Wang Zhengtong has tendered his resignation as an executive Director due to his own personal reason of having other business commitment, with effect from 29 January 2021.

In accordance with the Company's bye-law 91, Mr. Wei Mingfeng, duly appointed by the Board to fill the causal vacancy on 24 March 2021, and will retire from the Board as the Director at the forthcoming general meeting of the Company and he, being eligible, be proposed to be re-elected as the Director by the Shareholders at the same meeting.

* *for identification purpose only*

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

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

In accordance with bye-law 99(B) of the Company, Mr. Yuan Zhijun, Mr. Ye Xiang and Mr. Wang Yuben shall retire from the Board by rotation at the conclusion of the 2021 AGM and, being eligible, offer themselves for re-election at the 2021 AGM.

The above proposed re-elections of all retiring Directors at the 2021 AGM have been approved by the Nomination Committee and the Board accordingly.

For the year ended 31 December 2020, the Company has received from each of its independent non-executive Director, the respective written annual confirmation of independence pursuant to rule 3.13 of the Listing Rules, as amended from time to time, and the Board and the Nomination Committee has considered and agreed all independent non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

Details of the Directors' and senior management's emolument disclosed on a named basis and/or by band, respectively, are set out in notes 9 and 10 to the consolidated financial statements of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

No retiring Director (Mr. Yuan Zhijun, Mr. Ye Xiang and Mr. Wang Yuben) being proposed for re-election at the 2021 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2020, the interests of the Directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), contained in Appendix 10 of the Listing Rules were as follows:

Long Positions

Name of Director	Capacity	Number of Shares held	Approximate % of the total number of Shares in issue*
Mr. Lee Shing ("**Mr. Lee**")	Interest in controlled corporation (Note)	356,622,914	11.60%
	Beneficial owner	4,636,350	0.15%
	Interest held by spouse	2,472,720	0.08%
	Sub-total	363,731,984	11.83%
Mr. Yuan Zhijun	Beneficial owner	3,000,000	0.10%
Mr. Ye Xiang	Beneficial owner	1,030,300	0.03%

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

* The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2020 (i.e. 3,075,161,332 Shares).

Save as disclosed above, none of the Directors nor their associates had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2020 which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year ended 31 December 2020 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Save as disclosed under the section headed "**CONTINUING CONNECTED TRANSACTIONS**" in this Report of the Directors from pages 80 to 87, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party or were parties and in which Director(s), their associates or any entities connected with a Director or their associates had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

SHARE OPTION SCHEME

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

During the year ended 31 December 2020 and up to date of this annual report, there was no share option granted, outstanding, exercised, lapsed, re-classified and/or cancelled under the Share Option Scheme.

A summary of the Share Option Scheme is set out in note 34 to the consolidated financial statements of this annual report.

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

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 31 December 2020, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long positions

Name of Shareholder	Capacity	Nature of interest	Number of Shares	Approximate % of the total number of Shares in issue#
Dragon Hill (Note 1)	Beneficial owner (Note 1)	Corporate	356,622,914	11.60%
Mr. Lee	Interest in controlled corporation (Note 1)	Corporate	356,622,914	11.60%
	Beneficial owner (Note 2)	Personal	4,636,350	0.15%
	Interest held by spouse (Note 2)	Family	2,472,720	0.08%
		Sub-total	363,731,984	11.83%
Wuling HK (Notes 3 & 4)	Beneficial owner	Corporate	1,864,698,780	60.64%
Wuling Motors (Hong Kong) Company Limited ("**Wuling Motors**") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,864,698,780	60.64%
廣西汽車集團有限公司 Guangxi Automobile Holdings Limited *("**Guangxi Automobile**") (Notes 3 & 4)	Interest in controlled corporation	Corporate	1,864,698,780	60.64%

Notes:

1. Mr. Lee is beneficially interested in 356,622,914 Shares, which interests are held by Dragon Hill, a company wholly owned by Mr. Lee. This parcel of Shares has also been disclosed as long position of Mr. Lee under the above section of "**DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**".

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

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

\# The percentage has been adjusted (if any) based on the total number of Shares in issue as at 31 December 2020 (i.e. 3,075,161,332 Shares).

Other than as disclosed above, as at 31 December 2020, 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.

* *for identification purpose only*

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 2020.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

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

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

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

CONTINUING CONNECTED TRANSACTIONS

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

(1) 2019–2021 Master Tenancy Agreement

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

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

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

The actual amount of rental expenses paid by Wuling Industrial Group under the 2019–2021 Master Tenancy Agreement (which were recorded as interest expenses on and repayment of lease liabilities under the adoption of the new accounting standard during the year ended 31 December 2019) were RMB36,448,000 and RMB31,600,000 for the years ended 31 December 2019 and 2020, which were within the annual cap of the 2019–2021 Master Tenancy Agreement.

(2) 2019–2021 Loan Agreements

On 23 November 2018, loan agreements were entered into between each of Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited ("**Wuling Liuji**"), both of them subsidiaries of the Company, as borrowers, and Guangxi Automobile, the ultimate controlling Shareholder, as lender, (the "**2019–2021 Loan Agreements**") in relation to two facilities grant from Guangxi Automobile (the "**Facilities**") that includes (a) the maximum limits of the facility granted to Wuling Industrial amounting to RMB3,000,000,000, RMB3,300,000,000 and RMB3,600,000,000 respectively for the three years ending 31 December 2019, 2020 and 2021; and (b) the maximum limits of the facility granted to Wuling Liuji amounting to RMB1,600,000,000, RMB1,800,000,000 and RMB2,000,000,000 respectively for the three years ending 31 December, 2019, 2020 and 2021. The term of the Facilities is not more than six (6) months from the date of each drawdown, and the drawdown amount to Wuling Industrial and Wuling Liuji be secured by the same amount of bill receivables of

REPORT OF THE DIRECTORS

Wuling Industrial and/or Wuling Liuji to be assigned to Guangxi Automobile. The interest rates to be charged under the Facilities be the lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of facilities pledged with bill receivables at the time of drawdown. The maximum amount of aggregate interest paid by Wuling Industrial and Wuling Liuji for the three years ending 31 December 2019, 2020 and 2021 in respect of the related Facilities be RMB123,970,000, RMB137,445,000 and RMB150,920,000 respectively. The Facilities be used by Wuling Industrial and/or Wuling Liuji as general working capital. Details of the 2019-2021 Loan Agreements were described in the Company's announcement dated 23 November 2018 and the circular dated 2 January 2019.

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

The actual amount of the Facilities granted from Guangxi Automobile to Wuling Industrial and Wuling Liuji (i) for the year ended 31 December 2020 were nil and RMB1,421,629,000 respectively; and (ii) for the year ended 31 December 2019 were RMB1,000,000,000 and RMB1,434,768,000 respectively, whereas, the aggregate amount of interest paid to Guangxi Automobile for the year ended 31 December 2019 and 2020 were RMB28,515,000 and RMB13,648,000, respectively, which amounts were all within the respective annual caps under the 2019–2021 Loan Agreements.

(3) Equipment Purchase Transactions with Shanghai Yipu

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

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

* *for identification purpose only*

The 2019-2021 Equipment Purchase Framework Agreement intends to streamline the processes in respect of any future Shanghai Equipment Purchase Transactions in the event Shanghai Yipu is selected as the successful bidder for the supply of the equipment by serving as a basic framework on which the Company and Wuling Industrial Group will be based upon to comply with the disclosures and independent shareholders' approval requirements in compliance with the Listing Rules, such that the administrative burden and costs on the Company and Wuling Industrial Group to comply with such requirements for each of the Shanghai Equipment Purchase Transactions, if any, during the term of the 2019-2021 Equipment Purchase Framework Agreement will be reasonably reduced.

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

The actual contracted amount of Shanghai Equipment Purchase Transactions under 2019-2021 Equipment Purchase Framework Agreement for the year ended 31 December 2019 and 2020 were RMB46,244,000 and RMB2,546,000, respectively, which were within the annual caps under the 2019–2021 Equipment Purchase Framework Agreement.

(4) 2020–2022 Master Agreement

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

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

REPORT OF THE DIRECTORS

Accordingly, (i) the proposed annual caps of the Sale Transactions for the three years ending 31 December 2020, 2021 and 2022 are RMB296,000,000, RMB323,300,000 and RMB371,000,000 respectively; (ii) the proposed annual caps of the Purchase (Materials and Parts) Transactions for the three years ending 31 December 2020, 2021 and 2022 are RMB167,600,000, RMB188,200,000 and RMB233,300,000 respectively; (iii) the proposed annual caps of the Purchase (Finished Products) Transactions for the three years ending 31 December 2020, 2021 and 2022 are RMB341,000,000, RMB465,000,000 and RMB500,000,000 respectively; and (iv) the proposed annual caps of the Utility Supply Transactions for the three years ending 31 December 2020, 2021 and 2022 are RMB9,200,000, RMB9,700,000 and RMB10,100,000 respectively.

The Wuling Industrial Group has been procuring from the Guangxi Automobile Group, and vice versa, certain parts and components, as well as services, for the manufacture of products for a number of years. As a result of such long-term business relationship, the two groups have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly and in a cost efficient manner to any new requirements that the other group may request. On that basis, the Wuling Industrial Group considers that it would be in its interests and benefits to secure a stable and reliable supply of materials for its production from the Guangxi Automobile Group (i.e. the Purchase (Materials and Parts) Transactions) under the 2020–2022 Master Agreement.

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

(a) Supplemental Agreement

In line with the promotion of business development in the segment of new energy vehicles, on 7 September 2020, Wuling Industrial and Guangxi Automobile entered into supplemental agreement (the "**Supplemental Agreement**") to amend certain terms of the 2020–2022 Master Agreement so as to extend the scope of products and services to be covered and to adopt new annual caps of Purchase (Materials and Parks) Transactions under the 2020-2022 Master Agreement. Details of the Supplemental Agreement were disclosed in the Company's announcement dated 7 September 2020 and the Company's circular dated 9 October 2020.

Pursuant to the Supplemental Agreement, the annual caps for the Purchase (Materials and Parts) Transactions were increased by RMB106,000,000, RMB298,000,000 and RMB384,000,000 for the three years ending 31 December 2020, 2021 and 2022, respectively to RMB273,600,000, RMB486,200,000 and RMB617,300,000 for the three years ending 31 December 2020, 2021 and 2022, respectively.

The independent Shareholders' approval for the Supplemental Agreement was obtained in the special general meeting of the Company held on 30 October 2020.

(b) Second Supplemental Agreement

In consideration of increasing demand on the Sale Transactions, on 18 March 2021, Wuling Industrial and Guangxi Automobile entered into the second supplemental agreement (the "**Second Supplemental Agreement**") to amend certain terms of the 2020–2022 Master Agreement and propose to revise the aggregate annual caps for the Sale Transactions for the two years ending 31 December 2021 and 2022 respectively. Details of the Second Supplemental Agreement was disclosed in the Company's announcement dated 18 March 2021.

Pursuant to the Second Supplemental Agreement, the annual caps for the Sale Transactions will be increased by (i) RMB323,400,000 to RMB646,700,000 for the year ending 31 December 2021; and (ii) RMB385,400,000 to RMB756,400,000 for the year ending 31 December 2022.

The amendments of the terms of the 2020-2022 Master Agreement and revisions of the respective annual caps are subject to the approval by the independent Shareholders in a special general meeting of the Company to be held in due course.

Listed below are the approved annual caps under the 2020-2022 Master Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) for the three years ending 31 December 2020, 2021 and 2022 and the respective actual amount of transactions carried out during the year ended 31 December 2020, which actual amounts were within the annual caps under the 2020-2022 Master Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement):

	Annual Caps/ Actual Amount of Transactions Year ending 31 December			
	2020		2021	2022
	Actual Amount *RMB'000*	Annual Caps *RMB'000*	Annual Caps *RMB'000*	Annual Caps *RMB'000*
Sale Transactions	87,495	296,000	646,700#	756,400#
Purchase (Materials and Parts) Transactions	140,162	273,600*	486,200*	617,300*
Purchase (Finished Products) Transactions	85,904	341,000	465,000	500,000
Utility Supply Transactions	4,801	9,200	9,700	10,100

* Revised annual caps as approved per the Supplemental Agreement.

\# Revised annual caps as proposed per the Second Supplemental Agreement.

REPORT OF THE DIRECTORS

(5) Equipment Purchase Framework Agreement

On 28 April 2020, Wuling Industrial and 柳州五菱汽車科技有限公司 (Liuzhou Wuling Automotive Technology Limited*) ("**Wuling Auto Tech**") entered into an equipment purchase framework agreement ("**2020 Equipment Purchase Framework Agreement**") in relation to the Liuzhou Equipment Purchase Transactions (defined below) for a term up from 28 April 2020 to 31 December 2020 whereby purchase of equipment by the Wuling Industrial Group from Wuling Auto Tech for the production and testing processes of its engines products, automotive components products and specialized vehicles in accordance with the standard tender process of the Group whether by public tender or private tender pursuant to the respective terms of the 2020 Equipment Purchase Framework Agreement (the "**Liuzhou Equipment Purchase Transactions**"). Wuling Auto Tech, which was established in December 2018 and engages in the related business activity, was invited to participate in the bidding process with regard to the Liuzhou Equipment Purchase Transactions for the year ended 31 December 2020. It was considered that being a fellow subsidiary of Wuling Industrial, Wuling Auto Tech would have an advantage with a familiarity to the standards and specifications of the product and service requirements set by the Wuling Industrial Group. Details of the 2020 Equipment Purchase Framework Agreement were disclosed in the Company's announcement dated 28 April 2020.

The annual cap for Liuzhou Equipment Purchase Transactions as stipulated in the 2020 Equipment Purchase Framework Agreement is RMB28,000,000 for the year ending 31 December 2020.

The actual amount of the Liuzhou Equipment Purchase Transactions under the 2020 Equipment Purchase Framework Agreement for the year ended 31 December 2020 were RMB23,752,000, which was within the annual caps under the 2020 Equipment Purchase Framework Agreement.

Parties to the Continuing Connected Transactions

Wuling Industrial is a non-wholly owned subsidiary of the Company which is owned as to 60.9% by the Company and 39.1% by Guangxi Automobile. Wuling Liuji is a wholly-owned subsidiary of Wuling Industrial. Wuling Auto Tech is a wholly-owned subsidiary of Guangxi Automobile. Meanwhile, Guangxi Automobile is the ultimate controlling Shareholder, Shanghai Yipu is currently held as to 55% by Guangxi Automobile. Thus Guangxi Automobile and Shanghai Yipu is regarded as connected persons of the Company under Rule 14A.07 of the Listing Rules and therefore the transactions contemplated under all the abovementioned agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Yuan Zhijun (chairman of the Board), Mr. Yang Jianyong and Mr. Wei Mingfeng, Mr. Wang Zhengtong (resigned on 29 January 2021), present or past executive Directors, being also the directors and/or senior executives of Guangxi Automobile, the ultimate controlling Shareholder, had disclosed their interest and then abstained from voting on the Board resolutions in relation to all of the above continuing connected transactions.

* *for identification purpose only*

The aggregate amounts of the abovementioned continuing connected transactions for the year ended 31 December 2020 are set out in note 40 to the consolidated financial statements of this annual report.

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

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

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

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the financial year ended 31 December 2020, the Company has complied with the requirements under the bye-laws of the Company, the Listing Rules, the SFO and the Bermuda Companies Act., and all the applicable laws, as amended from time to time. Details of the Company's compliance with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in the Listing Rules are provided in the "**CORPORATE GOVERNANCE REPORT**" from pages 50 to 69 of this annual report.

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

The audited consolidated financial statements for the year ended 31 December 2020 have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

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

The respective terms of reference of these committees as amended from time to time, are set out in the websites of the Company (www.wuling.com.hk) and the Stock Exchange (www.hkexnews.hk). A summary of their respective duties and works during the year ended 31 December 2020 is set out in the "**CORPORATE GOVERNANCE REPORT**" from pages 50 to 69 of this annual report.

PERMITTED INDEMNITY PROVISION

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

STAFFS

As at 31 December 2020, the Group had approximately 10,700 employees. Total staff costs for the year ended 31 December 2020 were approximately RMB973,082,000 which details were set out in note 8 to the consolidated financial statements of this annual report.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The Board and the audit committee of the Company considered that it is good corporate governance practice to review the audit arrangement from time to time in order to enhance the independence of the Company's auditor. Deloitte Touche Tohmatsu ("**Deloitte**") has been holding office as the Company's auditor for over twelve years since 2007. With the recommendation of the audit committee of the Company, the Shareholders have approved the appointment of KPMG ("**KPMG**") as auditor of the Company in the annual general meeting of the Company held on 30 June 2020 ("**2020 AGM**"), following the retirement of Deloitte at the conclusion of the 2020 AGM.

KPMG ("**KPMG**"), being the auditor of the Company, will retire and, being eligible, offer themselves for re-appointment in the 2021 AGM. A resolution will be proposed at the 2021 AGM to approve the re-appointment of KPMG as auditor of the Company for the year ending 31 December 2021.

On behalf of the Board

Yuan Zhijun
Chairman
30 March 2021

INDEPENDENT AUDITOR'S REPORT

KPMG

TO THE SHAREHOLDERS OF WULING MOTORS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Wuling Motors Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 96 to 204, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Impairment assessment of property, plant and equipment

Refer to note 13 to the consolidated financial statements and the accounting policies on pages 130 to 131.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the property, plant and equipment amounted to RMB3,288 million. In view of the continuing decline of segment revenue and segment profit of certain operating segments of the Group in the past few years, management considered that impairment indicators of the Group's property, plant and equipment existed at the reporting date. The management of the Group performed impairment assessment by comparing the carrying amounts and the recoverable amounts of the property, plant and equipment that has impairment indicators. For the year ended 31 December 2020, the management of the Group determined that an impairment loss of RMB 55,069,000 was required in respect of the property, plant and equipment. The estimate of recoverable amounts was based on the value in use of cash-generating units ("CGUs") to which the property, plant and equipment belong. The management of the Group engaged an external valuer to carry out the impairment assessment which adopted discounted cash flow forecasts to estimate the value in use of CGUs.	Our audit procedures to assess the impairment assessment of property, plant and equipment included the following: • evaluating management's process and procedures for the identification of indicators of potential impairment of the Group's property, plant and equipment with reference to the requirements of prevailing accounting standards; • assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards; • obtaining and inspecting the valuation reports prepared by the external valuer engaged by management; • evaluating the competence, capabilities and objectivity of the external valuer; • involving our internal valuation specialists to assist us in evaluating the methodology used by external valuer in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards and assessing whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other comparable companies in the same industry; • challenging the key assumptions adopted in the discounted cash flow forecasts, in particular with respect to the sales growth rates and gross profit margins, by comparing these with historical performance, budget, future business plan of the Group and our understanding of the Group's business and available market data;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Key assumptions used in the discounted cash flow forecasts included discount rates, sales growth rates and gross profit margins. We identified impairment assessment of property, plant and equipment as a key audit matter because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.	• performing a retrospective review by comparing prior year cash flows forecasts with the actual results in the current year and making enquiries of management as to the reasons for any significant variations identified to assess whether this is any indication of management bias; • evaluating the sensitivity analyses of key assumptions prepared by the external valuer engaged by management and considering the resulting impact on the conclusion reached by management and whether there were any indicators of management bias; and • assessing the reasonableness of the disclosures in the consolidated financial statements in respect of impairment assessment of property, plant and equipment with reference to the requirements of the prevailing accounting standards.

Loss allowance for trade receivables

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 121 to 126.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2020, the Group had a significant balance of gross trade receivables which amounted to RMB3,430 million, representing approximately 22% of the Group's total assets at that date, against which an allowance of RMB87 million for expected credit losses (ECLs) was recorded.	Our audit procedures to assess the loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (Continued)

The Key Audit Matter	How the matter was addressed in our audit
The Group measures the loss allowance at an amount equal to the lifetime ECL of the trade receivables. The Group estimates the ECL by using a provision matrix which is based on the Group's historical default rates, and takes into consideration of current economic conditions and forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables from related parties and credit-impaired trade receivables are assessed for ECL individually. We identified the loss allowance for trade receivables as a key audit matter because determining the level of loss allowance is inherently subjective which requires significant management judgement.	• assessing whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; and • assessing the reasonableness of management's estimates of loss allowance for trade receivables, including those from related parties and credit-impaired debtors, by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical default rates are appropriately adjusted based on current economic conditions and forward-looking information, the financial condition of the related parties and credit-impaired debtors, and relevant information obtained from other audit procedures.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	4		
Goods and services		15,361,122	14,223,941
Rental		21,091	13,364
Total revenue		15,382,213	14,237,305
Cost of sales and services		(14,172,785)	(13,065,145)
Gross profit		1,209,428	1,172,160
Other income	5(a)	174,849	199,982
Other gains and losses	5(b)	(25,646)	(201,030)
Impairment losses under expected credit loss model, net of reversals of impairment losses	42(b)	(21,831)	(26,773)
Selling and distribution costs		(250,695)	(184,370)
General and administrative expenses		(672,363)	(772,983)
Research and development expenses		(205,167)	(195,034)
Share of results of associates	16	(210)	(16,717)
Share of results of joint ventures	17	(17,412)	(9,928)
Finance costs	6	(216,577)	(147,201)
Loss before taxation		(25,624)	(181,894)
Income tax credit	7	3,757	15,279
Loss for the year	8	(21,867)	(166,615)
Other comprehensive income (expense) for the year (after tax)			
Items that will not be reclassified to profit or loss:			
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties		26,421	12,574
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside Mainland China		(5,348)	(2,683)
Fair value gain (loss) on bills receivable at fair value through other comprehensive income		24,636	(7,915)
Other comprehensive income for the year		45,709	1,976
Total comprehensive income (expense) for the year		23,842	(164,639)
Loss for the year attributable to:			
Owners of the Company		(33,403)	(124,026)
Non-controlling interests		11,536	(42,589)
		(21,867)	(166,615)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		(7,658)	(123,871)
Non-controlling interests		31,500	(40,768)
		23,842	(164,639)
Loss per share	12		
Basic		(1.17) cents	(6.05) cents
Diluted		(1.17) cents	(6.05) cents

The notes on pages 102 to 204 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,287,648	3,380,575
Right-of-use assets	14	288,329	327,361
Investment properties	15	353,899	287,575
Interests in associates	16	280,512	280,722
Interests in joint ventures	17	180,170	160,316
Prepayments paid for acquisition of property, plant and equipment		84,298	640
Equity instrument at fair value through other comprehensive income	18	2,048	2,048
		4,476,904	4,439,237
CURRENT ASSETS			
Inventories	19	1,357,159	1,668,735
Trade and other receivables	20	3,752,413	4,035,821
Bills receivable at fair value through other comprehensive income	21	4,177,028	4,011,138
Financial assets at fair value through profit or loss	30	–	21,195
Prepaid tax		11,200	–
Pledged bank deposits	23	681,745	678,374
Bank balances and cash	23	946,575	838,056
		10,926,120	11,253,319
CURRENT LIABILITIES			
Trade and other payables	24	7,581,995	7,496,721
Contract liabilities	25	497,840	466,341
Lease liabilities	26	36,273	38,317
Provision for warranty	27	95,961	77,530
Tax payable		–	56,662
Bank and other borrowings	28	1,455,756	955,527
Advances drawn on bills receivables discounted with recourse	28	3,142,818	3,250,263
Convertible loan notes	29	–	214,050
Financial liabilities at fair value through profit or loss	30	–	2,384
		12,810,643	12,557,795
NET CURRENT LIABILITIES		(1,884,523)	(1,304,476)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,592,381	3,134,761

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	25	10,939	12,406
Lease liabilities	26	6,977	18,748
Amount due to an associate	16	50,000	50,000
Bank and other borrowings	28	484	720,000
Deferred tax liabilities	31	30,945	28,284
		99,345	829,438
		2,493,036	2,305,323
CAPITAL AND RESERVES			
Share capital	32	11,043	7,366
Reserves		1,463,522	1,303,238
Equity attributable to owners of the Company		1,474,565	1,310,604
Non-controlling interests		1,018,471	994,719
		2,493,036	2,305,323

The consolidated financial statements on pages 96 to 204 were approved and authorized for issue by the board of directors on 30 March 2021 and are signed on its behalf by:

Mr. Yuan Zhijun
CHAIRMAN

Mr. Lee Shing
VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The notes on page 102 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000 *(note i)*	The PRC general reserve RMB'000 *(note ii)*	Capital reserve RMB'000 *(note iii)*	Debt instruments at fair value through other comprehensive income ("FVTOCI") reserve RMB'000	Equity instruments at FVTOCI reserve RMB'000	Property revaluation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	7,366	457,494	8,837	35,763	348,889	18,505	(26,144)	(19,952)	–	612,881	1,443,639	1,035,210	2,478,849
Loss for the year	–	–	–	–	–	–	–	–	–	(124,026)	(124,026)	(42,589)	(166,615)
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties, net of tax	–	–	–	–	–	–	–	–	7,658	–	7,658	4,916	12,574
Exchange differences on translation of operations outside Midland China	–	–	(2,683)	–	–	–	–	–	–	–	(2,683)	–	(2,683)
Fair value loss on bills receivables at FVTOCI	–	–	–	–	–	–	(4,820)	–	–	–	(4,820)	(3,095)	(7,915)
Total comprehensive (expense) income for the year	–	–	(2,683)	–	–	–	(4,820)	–	7,658	(124,026)	(123,871)	(40,768)	(164,639)
Dividend paid *(note 11)*	–	–	–	–	–	–	–	–	–	(9,164)	(9,164)	–	(9,164)
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(35,630)	(35,630)
Capital injection from a non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	35,907	35,907
Transfers	–	–	–	–	12,768	–	–	–	–	(12,768)	–	–	–
Subtotal	–	–	–	–	12,768	–	–	–	–	(21,932)	(9,164)	277	(8,887)
At 1 January 2020	7,366	457,494	6,154	35,763	361,657	18,505	(30,964)	(19,952)	7,658	466,923	1,310,604	994,719	2,305,323
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(33,403)	(33,403)	11,536	(21,867)
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties	–	–	–	–	–	–	–	–	16,090	–	16,090	10,331	26,421
Exchange difference on translation of operations outside Mainland China	–	–	(5,348)	–	–	–	–	–	–	–	(5,348)	–	(5,348)
Fair value gain on bills receivable at FVTOCI	–	–	–	–	–	–	15,003	–	–	–	15,003	9,633	24,636
Total comprehensive (expense) income for the year	–	–	(5,348)	–	–	–	15,003	–	16,090	(33,403)	(7,658)	31,500	23,842
Dividends approved in respect of the previous year *(note 11)*	–	–	–	–	–	–	–	–	–	(7,769)	(7,769)	–	(7,769)
Rights issue *(note 33)*	3,677	175,711	–	–	–	–	–	–	–	–	179,388	–	179,388
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(7,748)	(7,748)
Transfers	–	–	–	–	30,127	–	–	–	–	(30,127)	–	–	–
Subtotal	3,677	175,711	–	–	30,127	–	–	–	–	(37,896)	171,619	(7,748)	163,871
At 31 December 2020	11,043	633,205	806	35,763	391,784	18,505	(15,961)	(19,952)	23,748	395,624	1,474,565	1,018,471	2,493,036

notes:

(i) The Group's (as defined in note 1) contributed surplus represents (a) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganization on 30 October 1992, over the nominal value of the Company's (as defined in note 1) shares issued in exchange therefore; (b) the transfer of the credit arising from a capital reduction on 19 June 2006; and (c) the transfer of the share premium and the absorption of accumulated losses on 27 May 2011.

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

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

The notes on pages 102 to 204 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES			
Loss before taxation		(25,624)	(181,894)
Adjustments for:			
(Reversal of write-down) write-down of inventories	19	(3,853)	19,598
Bank interest income	5(a)	(79,268)	(37,404)
Depreciation of property, plant and equipment and right-of-use assets	13,14	328,238	117,779
Foreign exchange (gain) loss, net	5(b)	(24,114)	27,344
Finance costs	6	216,577	147,201
Fair value change of financial assets/liabilities at fair value through profit or loss	5(b)	18,811	(21,513)
Fair value change of investment properties	5(b)	1,641	(4,921)
Loss on disposal of property, plant and equipment	5(b)	7,351	12,484
Impairment losses under expected credit loss model, net of reversals of impairment losses	42(b)	21,831	26,773
Impairment loss on property, plant and equipment	5(b)	55,069	187,636
Gain on contribution of technology knowhow as capital investment in a joint venture	5(b)	(29,997)	–
Share of results of joint ventures	17	17,412	9,928
Share of results of associates	16	210	16,717
Operating cash flows before movements in working capital		504,284	319,728
Decrease (increase) in inventories		315,429	(519,811)
Decrease (increase) in trade and other receivables		148,014	(494,637)
Increase in bills receivable at FVTOCI *(note)*		(9,086,393)	(5,847,715)
Increase (decrease) in trade and other payables		76,423	(453,763)
Increase in contract liabilities		30,032	242,793
Increase (decrease) in provision for warranty		18,431	(41,760)
Cash used in operations		(7,993,780)	(6,795,165)
Income tax (paid) refund		(8,711)	22,137
NET CASH USED IN OPERATING ACTIVITIES		(8,002,491)	(6,773,028)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 *RMB'000*	2019 *RMB'000*
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(9,558,686)	(3,922,871)
Purchase of property, plant and equipment	(362,585)	(487,754)
Deposits paid for acquisition of property, plant and equipment	–	(299,202)
Investments in associates	–	(60,000)
Investments in joint ventures	(7,269)	(64,000)
Withdrawal of pledged bank deposits	9,555,315	4,259,265
Proceeds from disposal of property, plant and equipment	74,399	387,022
Proceeds from government grant	–	89,162
Bank interest income received	79,268	37,404
NET CASH USED IN INVESTING ACTIVITIES	(219,558)	(60,974)
FINANCING ACTIVITIES		
Advances drawn on bills receivable *(note)*	8,750,414	5,960,525
Bank and other borrowings raised	5,095,406	1,665,310
Advances from (repayment to) Guangxi Automobile Group (included in other payables)	907	(34,893)
Capital injection from a non-controlling interest	–	35,907
Repayment of bank borrowings	(5,345,592)	(773,295)
Repayment for convertible notes	(182,314)	–
Rights issue	179,388	–
Interest paid	(108,673)	(69,647)
Dividend paid	(7,769)	(9,164)
Dividend paid to non-controlling interests	(7,748)	(35,630)
Payment of lease liabilities	(43,330)	(38,904)
NET CASH GENERATED FROM FINANCING ACTIVITIES	8,330,689	6,700,209
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,640	(133,793)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	838,056	974,697
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(121)	(2,848)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	946,575	838,056

note: An increase in bills receivable at FVTOCI of RMB9,086,393,000 (2019: RMB5,847,715,000) and advance drawn on bills receivables of RMB8,750,414,000 (2019: RMB5,960,525,000) were included in operating activities and financing activities, respectively upon discounting these bills receivables.

The notes on pages 102 to 204 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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

The Company acts as an investment holding company and its subsidiaries (collectively referred to as the "Group") are engaged in the manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of steels, and provision of water and power supply. The details of its principal subsidiaries are disclosed in note 45.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated financial statements

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceeded its current assets by approximately RMB1,885 million (2019: approximately RMB1,304 million) and the Company's current liabilities exceeded its current assets by approximately RMB62 million (2019: approximately RMB216 million) as at 31 December 2020. The directors of the Company are of the opinion that, after due and careful enquiry taking into account the completion of a top-up placing and subscription exercise on 1 February 2021, from which a net proceed amounting to approximately RMB448.2 million was raised by the Company, together with continuous financial support provided from Guangxi Automobile and the financial resources available to the Group, including internally generated funds, the available banking facilities for issuance of bills payable and bank borrowings and assets available to pledge for obtaining further banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the consolidated financial statements (Continued)

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

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

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

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

b. 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

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

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to HKFRS 3, Definition of a Business

— Amendment to HKFRS 16, Covid-19-Related Rent Concessions

— Amendments to HKAS 1 and HKAS 8, Definition of Material

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(u)).

(e) Investments in associates and joint ventures

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates and joint ventures (Continued)

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in equity securities

Equity investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 42(c).

Equity investments are classified as measured at FVTPL unless the equity investments are not held for trading purposes and on initial recognition of the investments the Group makes an irrevocable election to designate the investments as measured at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective.

(g) Property, plant and equipment

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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

Depreciation is recognized so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(h) Investment properties

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties (Continued)

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.

(i) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

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

The Group as a lessee

Leases of low-value assets

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

Right-of-use assets

Except for leases of low-value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Where applicable, the cost of the right-of-use assets also includes an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, discounted to their present value, less any lease incentive received.

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

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

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

Refundable rental deposits

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessor

Classification and measurement of leases

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases (Continued)

The Group as a lessor (Continued)

Refundable rental deposits

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

Lease modification

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

(j) Foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Borrowing costs

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

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

(l) 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.

(m) Retirement benefits costs and termination benefits

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Short-term and other long-term employee benefits

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

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

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

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

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

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

(p) 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(q) Financial instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortized cost and interest income

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

(ii) Bills receivable classified as at FVTOCI

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instrument designated as at FVTOCI

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

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

Impairment of financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk*

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

(ii) *Definition of default*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) *Measurement and recognition of ECL* (Continued)

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

Derecognition of financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Classification as debt or equity (Continued)

Financial liabilities at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at amortized cost

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

Convertible loan notes contain debt and derivative components

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Classification as debt or equity (Continued)

Convertible loan notes contain debt and derivative components (Continued)

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

Derivative financial instruments

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

Derecognition of financial liabilities

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

(r) Provisions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Warranties

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

(t) Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

(u) Impairment of property, plant and equipment, right-of-use assets other than goodwill and other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Impairment of property, plant and equipment, right-of-use assets other than goodwill and other non-current assets (Continued)

The recoverable amount of such assets is estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue from contracts with customers

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue from contracts with customers (Continued)

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. Contract assets and receivables are assessed for impairment in accordance with HKFRS9.

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

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

Revenue from sales of goods and trading of steels

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

Revenue from provision of services

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

Others

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue from contracts with customers (Continued)

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

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

Principal versus agent

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

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

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

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Key sources of estimation uncertainty

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

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

Determining whether property, plant and equipment that has indication of impairment loss is impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which the property, plant and equipment that has indication of impairment loss has been allocated. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the property, plant and equipment using suitable discount rates. Key assumptions in estimating the value in use of the CGUs included discount rates, growth rates, budgeted sales and gross margins and their related cash inflow and outflow patterns of the respective CGUs. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise. The management of the Group also engage an independent valuer to carry out valuation of the value in use of the CGUs. Details of the recoverable amount calculation are disclosed in note 13.

As at 31 December 2020, the carrying amount of property, plant and equipment is RMB3,287,648,000 (2019: RMB3,380,575,000), after taking into the account the impairment of RMB242,705,000 (2019: RMB187,636,000).

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 20 and 42(b).

As at 31 December 2020, the gross carrying amount of trade receivables is RMB3,429,682,000 (2019: RMB3,328,278,000) and allowance for credit losses of RMB87,034,000 (2019: RMB64,427,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principle activities of the Group are the manufacturing and sale of engines, engines related parts, automotive components and accessories, steels and specialized vehicles, as well as provision of water and power supply directly to customers.

Disaggregation of revenue

	Notes	2020 RMB'000	2019 RMB'000
Types of goods and services			
Sales of engines and related parts	(a)	3,115,390	2,632,657
Sales of automotive components and accessories	(b)	6,333,780	6,274,100
Sales of specialized vehicles	(c)	5,097,664	4,474,073
Trading of steels	(b)	718,900	661,710
Provision of water and power supply	(b)	95,388	181,401
Revenue from contracts with customers		15,361,122	14,223,941
Gross rental from investment properties		21,091	13,364
		15,382,213	14,237,305
Timing of revenue recognition			
A point in time		15,265,734	14,042,540
Over time		116,479	194,765
Total		15,382,213	14,237,305
Geographical markets			
The PRC (excluding Hong Kong)		15,327,223	14,163,977
Others		54,990	73,328
Total		15,382,213	14,237,305

Notes:

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

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

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

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information

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

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

- Engines and related parts — Manufacture and sale of engines and engine related parts
- Automotive components and other industrial services — Manufacture and sale of automotive components and accessories, trading of steels, and provision of water and power supply services
- Specialized vehicles — Manufacture and sale of specialized vehicles
- Others — Property investment and others

Segment revenues and results

The measure used for reporting segment profit or loss is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as finance income/costs. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and joint ventures, fair value changes of financial instruments at fair value through profit or loss and investment properties, and other head office or corporate administration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenues and results (Continued)

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

For the year ended 31 December 2020

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue from external customers	3,115,390	7,148,068	5,097,664	21,091	–	15,382,213
Inter-segment revenue	14,560	55,773	15,056	–	(85,389)	–
Total	3,129,950	7,203,841	5,112,720	21,091	(85,389)	15,382,213
Segment profit (adjusted EBIT)	49,067	26,336	103,922	2,975		182,300
Bank interest income						79,268
Change in fair value of financial assets/liabilities at FVTPL						(18,811)
Net exchange gain						24,114
Decrease in fair value of investment properties						(1,641)
Central administrative costs						(56,655)
Share of results of associates						(210)
Share of results of joint ventures						(17,412)
Finance costs						(216,577)
Loss before taxation						(25,624)

4. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2019

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue from external customers	2,632,657	7,117,211	4,474,073	13,364	–	14,237,305
Inter-segment revenue	15,398	33,636	47	–	(49,081)	–
Total	2,648,055	7,150,847	4,474,120	13,364	(49,081)	14,237,305
Segment (loss) profit (adjusted EBIT)	(156,282)	48,068	81,123	1,118		(25,973)
Bank interest income						37,404
Change in fair value of financial assets at FVTPL						21,513
Central administrative costs						(40,992)
Share of results of associates						(16,717)
Share of results of joint ventures						(9,928)
Finance costs						(147,201)
Loss before taxation						(181,894)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2020

	Engines and related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of reportable segment profit or loss or reportable segment assets:					
Depreciation of property, plant and equipment	63,588	200,042	14,467	130	278,227
Impairment loss on property, plant and equipment	1,499	53,570	–	–	55,069
Depreciation of right-of-use assets	23,162	25,846	1,003	–	50,011
(Gain) loss on disposal of property, plant and equipment	(16,512)	20,336	3,527	–	7,351
Net allowance (reversal) of write down for inventories	11,813	(20,175)	4,509	–	(3,853)
Impairment losses on trade receivables	11,202	19,249	170	–	30,621
Reversal of impairment loss on trade receivables	(3,736)	(1,447)	(123)	–	(5,306)
Research and development expenses	41,797	104,904	58,466	–	205,167
Fair value change of investment properties	–	–	–	1,641	1,641

4. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2019

	Engines and related parts RMB'000	Automotive components and other industrial services RMB'000	Specialized vehicles RMB'000	Others RMB'000	Consolidated RMB'000
Amounts included in the measure of reportable segment profit or loss or reportable segment assets:					
Depreciation of property, plant and equipment	65,617	158,155	69,565	3,488	296,825
Impairment loss on property, plant and equipment	112,000	75,636	–	–	187,636
Depreciation of right-of-use assets	1,266	29,421	15,559	–	46,246
Loss on disposal of property, plant and equipment	2,188	7,168	3,128	–	12,484
Allowance for inventories	5,899	11,977	1,722	–	19,598
Impairment losses on trade receivables	10,135	12,537	5,855	–	28,527
Reversal of impairment loss on trade receivables	(958)	(714)	(584)	–	(2,256)
Research and development expenses	3,175	149,140	42,719	–	195,034
Fair value change of investment properties	–	–	–	(4,921)	(4,921)

Non-current assets

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

	2020 RMB'000	2019 RMB'000
The PRC (excluding Hong Kong)	4,440,760	4,381,568
Hong Kong	10,422	10,543
Indonesia	20,921	42,871
India	2,753	2,207
	4,474,856	4,437,189

Note: Non-current assets excluded financial instruments.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Information about a major customer

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

	2020 RMB'000	2019 RMB'000
Engines and related parts	1,637,033	1,065,246
Automotive components and other industrial services	5,746,258	5,772,347
Specialized vehicles	–	4,679
	7,383,291	6,842,272

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Details of other income are as follows:

	2020 RMB'000	2019 RMB'000
Bank interest income	79,268	37,404
Government grants *(note a)*	47,784	45,871
Sales of scrap materials, parts and others	19,022	70,473
Machinery and other property rental income *(note b)*	13,440	28,032
Service income on repairs and maintenance	3,089	6,840
Income on use of technology knowhow *(note 25(b))*	1,466	1,466
Others	10,780	9,896
	174,849	199,982

Notes:

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

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

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

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

	2020 RMB'000	2019 RMB'000
Impairment loss on property, plant and equipment	(55,069)	(187,636)
Foreign exchange gain (loss), net	24,114	(27,344)
Fair value change of financial assets/liability at FVTPL	(18,811)	21,513
Gain on technology appraised as capital investment in a joint venture	29,997	–
Loss on disposal of property, plant and equipment	(7,351)	(12,484)
Fair value change of investment properties	(1,641)	4,921
Others	3,115	–
	(25,646)	(201,030)

6. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interests on:		
— Bank borrowings	99,425	41,967
— Other borrowings *(note)*	8,739	14,886
— Advances drawn on bills receivable *(note)*	87,280	46,636
— Effective interest expenses on convertible loan notes *(note 29)*	18,664	39,729
— Lease liabilities	2,469	3,983
	216,577	147,201

note: During the year ended 31 December 2020, interest of RMB13,648,000 (2019: RMB28,515,000) and RMB8,739,000 (2019: RMB14,886,000) were paid to Guangxi Automobile in respect of bills discounted to and loan advanced from it, respectively. Details of provision of the bill discounting facilities and other borrowings are set out in note 40(v) and note 28 respectively.

7. INCOME TAX CREDIT

	2020 RMB'000	2019 RMB'000
Tax expense (credit) charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current	7,466	1,018
Withholding tax on dividend distribution	471	2,018
Overprovision in prior years	(9,693)	(21,212)
	(1,756)	(18,176)
Deferred tax *(note 31)*		
Origination and reversal of temporary differences	(2,001)	2,897
	(3,757)	(15,279)

The PRC

In accordance with the relevant PRC corporate income tax laws, implementation regulations and guidance notes, certain subsidiaries in Mainland China are entitled to tax concessions whereby the profits of the subsidiaries are taxed at a preferential income tax rate. Wuling Industrial, Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors"), Chongqing Zhuotong Motors Industrial Co., Ltd. ("Chongqing Zhuotong") and Wuling Liuji Foundry Company Limited ("Liuji Foundry") are approved as enterprises that satisfied as a High-New Technology Enterprises and entitled the preferential tax rate of 15% in 2018, 2019 and 2020. Liuzhou Zhuotong Motors Industrial Co., Ltd. ("Liuzhou Zhuotong") was applicable to the tax concession of the Western Development in PRC and entitled the preferential tax rate of 15% in 2020. Taxation of the Group's other subsidiaries in Mainland China are calculated using the applicable income tax rates of 25%.

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

During the year, deferred tax of RMB1,022,000 (2019: RMB5,059,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charged to profit or loss accordingly.

7. INCOME TAX CREDIT (Continued)

Hong Kong

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

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

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

	2020 RMB'000	2019 RMB'000
Loss before taxation	(25,624)	(181,894)
Notional tax on loss before taxation calculated at the rates applicable in the jurisdictions concerned	(4,022)	(45,473)
Tax effect of share of results of associates	32	4,179
Tax effect of share of results of joint ventures	2,612	2,482
Tax effect of expenses not deductible for tax purposes	5,979	20,066
Tax effect of deductible temporary differences not recognized	33,339	45,562
Tax effect of income not taxable for tax purposes	(823)	(11,468)
Tax effect of utilization of tax losses previously not recognized	(40,466)	(522)
Tax effect of tax losses not recognized	16,834	6,445
Tax effect of undistributed profits of the PRC subsidiaries	1,022	5,059
Effect of concession tax rates of subsidiaries	(8,571)	(20,397)
Overprovision in prior years	(9,693)	(21,212)
Income tax credit for the year	(3,757)	(15,279)

Details of movements in deferred tax liabilities are set out in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. LOSS FOR THE YEAR

	2020 *RMB'000*	2019 *RMB'000*
Loss for the year has been arrived at after charging the following items:		
Directors' emoluments *(note 9)*	2,176	2,470
Other staff costs:		
Salaries, bonus and other benefits	910,535	915,174
Contributions to retirement benefit schemes, excluding directors	60,371	65,682
Total staff costs	973,082	983,326
Auditor's remuneration	2,229	2,599
Depreciation of property, plant and equipment	278,227	296,825
Depreciation of right-of-use assets	50,011	46,246
Total depreciation	328,238	343,071
Cost of inventories#	14,079,054	12,907,174

Cost of inventories includes RMB817,860,000 (2019: RMB746,552,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

(a) EXECUTIVE DIRECTORS

2020

	Yuan Zhijun RMB'000 (note 5)	Lee Shing RMB'000 (note 1)	Yang Jianyong RMB'000 (note 5)	Wang Zhengtong RMB'000 (notes 4 and 5)	Total RMB'000
Fees	–	1,366	–	–	1,366
Salaries and other benefits	–	305	–	–	305
Contributions to retirement benefit schemes	–	68	–	–	68
Total	–	1,739	–	–	1,739

2019

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

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

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

(b) INDEPENDENT NON-EXECUTIVE DIRECTORS

2020

	Ye Xiang *RMB'000*	Wang Yuben *RMB'000*	Mi Jianguo *RMB'000*	Total *RMB'000*
Fees	181	128	128	437
Salaries and other benefits	–	–	–	–
Contributions to retirement benefit schemes	–	–	–	–
Total	181	128	128	437

2019

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

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

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

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

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

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

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

10. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2019: one) was the director and also the chief executive officer of the Company whose emolument is included in the disclosure in note 9 above. The emoluments of the remaining four (2019: four) individuals who were senior management of the Group, are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	3,022	2,683
Bonus	–	93
Contributions to retirement benefit schemes	274	295
Total emoluments	3,296	3,071

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

	2020 Number of employees	2019 Number of employees
Nil to Hong Kong dollar ("HKD") 1,000,000	3	3
HKD1,500,001 to HKD2,000,000	1	1
	4	4

No emoluments were paid by the Group to the directors of the Company or the above individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

11. DIVIDEND

	2020 *RMB'000*	2019 *RMB'000*
Dividends recognized as distribution during the year:		
2019 Final dividend of HKD0.3 cents (2019: 2018 final dividend of HKD0.5 cents) per share	7,769	9,164

Subsequent to the end of the reporting period, a final dividend of HKD0.3 cent per share amounting to approximately HKD9,894,000 (or equivalent to RMB8,331,000) in respect of the year ended 31 December 2020 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB33,403,000 (2019: RMB124,026,000) and the weighted average of 2,864,534,000 ordinary shares (2019: 2,050,108,000 shares) in issue during the year, calculated as follows:

	'000	*'000*
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,050,108	2,050,108
Effect of Rights Issue *(Note 33)*	814,426	N/A
Weighted average number of ordinary shares at 31 December	2,864,534	2,050,108

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during each of the year ended 31 December 2020 and 2019, and therefore, diluted loss per share is the same as the basic loss per share.

13. 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 2019	999,057	961	1,900,425	522,284	68,501	64,203	1,120,577	4,676,008
Exchange adjustments	–	10	–	4	5	–	–	19
Additions	903	–	44,413	52,669	6,754	902	755,092	860,733
Disposals	(37,385)	(408)	(415,232)	(4,505)	(7,572)	(6,618)	–	(471,720)
Transfer	282,639	–	463,841	79,169	6,259	6,669	(838,577)	–
Transfer to investment properties	(202,178)	–	–	–	–	–	–	(202,178)
At 31 December 2019	1,043,036	563	1,993,447	649,621	73,947	65,156	1,037,092	4,862,862
Reclassification	150,769	483	(232,333)	391,211	81,980	88,131	–	480,241
Exchange adjustments	–	(33)	–	(3)	(11)	–	–	(47)
Additions	7,042	214	13,868	9,009	23,852	962	288,600	343,547
Disposals	(44,648)	–	(104,268)	(44,800)	(4,119)	(5,379)	(2,907)	(206,121)
Transfer	79,541	–	524,070	154,442	6,316	71,663	(836,032)	–
Transfer to investment properties	(29,360)	–	–	–	–	–	–	(29,360)
At 31 December 2020	1,206,380	1,227	2,194,784	1,159,480	181,965	220,533	486,753	5,451,122
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2019	224,697	442	693,893	115,954	24,488	26,445	–	1,085,919
Exchange adjustments	–	3	–	4	4	–	–	11
Provided for the year	53,803	114	185,324	41,918	10,727	4,939	–	296,825
Impairment loss recognized in profit or loss	50,391	–	99,933	31,960	2,907	2,445	–	187,636
Eliminated on disposals	(74)	(408)	(58,040)	(3,284)	(6,302)	(4,106)	–	(72,214)
Elimination on transfer to investment properties	(15,890)	–	–	–	–	–	–	(15,890)
At 31 December 2019	312,927	151	921,110	186,552	31,824	29,723	–	1,482,287
Reclassification	45,730	–	(34,146)	327,463	71,000	70,194	–	480,241
Exchange adjustments	–	(15)	–	(2)	(8)	–	–	(25)
Provided for the year	32,346	518	147,973	52,707	22,610	22,073	–	278,227
Impairment loss recognized in profit or loss	7,326	123	34,844	10,685	744	1,347	–	55,069
Eliminated on disposals	(18,641)	–	(75,130)	(29,917)	(3,631)	(4,398)	–	(131,717)
Elimination on transfer to investment properties	(608)	–	–	–	–	–	–	(608)
At 31 December 2020	379,080	777	994,651	547,488	122,539	118,939	–	2,163,474
CARRYING VALUE								
At 31 December 2020	827,300	450	1,200,133	611,992	59,426	101,594	486,753	3,287,648
At 31 December 2019	730,109	412	1,072,337	463,069	42,123	35,433	1,037,092	3,380,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2020, the Group received government subsidy of RMB nil (2019: RMB89,162,000) as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

The Group leases out machinery and other property (mainly warehouses which are classified as buildings) under operating leases with rentals payable monthly. The leases run for a period of less than 3 years. None of the leases includes variable lease payments.

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

	2020 RMB'000	2019 RMB'000
Engines and related parts ("Unit A")	622,918	667,236
Automotive components and other industrial services ("Unit B"):		
— in the PRC operations	2,469,871	2,427,256
— in Indonesia operations	60,169	67,119
Specialized vehicles ("Unit C")	377,395	406,600
Less: impairment	(242,705)	(187,636)
	3,287,648	3,380,575

Due to the negative impact from global pandemic of Covid-19, the management of the Group has identified certain property, plant and equipment has an indication of impairment loss. For the purposes of impairment assessment, the management of the Group estimated the recoverable amounts for property, plant and equipment that has indication of impairment loss with carrying amounts of RMB622,918,000, RMB2,469,871,000, RMB60,169,000, and RMB377,395,000 that have been allocated to Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively (2019: RMB329,555,000, RMB1,921,617,000, RMB67,119,000 and RMB406,600,000 for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively). The basis of the recoverable amounts of these property, plant and equipment and their principal underlying assumptions are summarized below.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The estimation of recoverable amounts was based on the value in use of CGUs to which the property, plant and equipment belong. The value in use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rates of 12.66%, 13.76%, 16.43% and 13.02% for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively (2019: 15.62%, 16.16%, 20.79% and 15.69% for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively), determined using Capital Asset Pricing Model. The value in use calculations were carried out by an independent valuer. The cash flows for the next five years are extrapolated using sales growth rate of 3%, 3% to 10.08%, 5% to 25% and 3% for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively (2019: 3%, 0% to 2%, 5% to 30% and 3% for Unit A, Unit B in the PRC operations, Unit B in Indonesia operations and Unit C, respectively) per annum, while cash flows beyond the five-year period are all using a 3% or 5% (2019: 2% or 3%) sales growth rate. These sales growth rates are based on the Group's budget, future business plan and the forecasts of the relevant industries and do not exceed the average long-term sales growth rate for the relevant industries. Other key assumptions for the value in use calculations included gross profit margins estimated based on the units' historical performance and management's expectation of the market development.

Based on the result of the assessment, the management of the Group determined that the recoverable amounts of Unit B in the PRC operations and Unit B in Indonesia operations are lower than their carrying amount. Based on the value in use calculation, impairment of RMB35,000,000 and RMB15,000,000 have been recognized against the carrying amount of property, plant and equipment on Unit B in the PRC operations and Unit B in Indonesia operations, respectively (2019: RMB112,000,000, RMB51,388,000 and RMB24,248,000 for Unit A, Unit B in the PRC operations and Unit B in Indonesia operations, respectively). For Unit A and Unit C, the management believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of Unit A and Unit C to fall below its respective carrying amount.

14. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Buildings RMB'000	Total RMB'000
Net book value:			
As at 31 December 2019 and 1 January 2020	271,446	55,915	327,361
Additions	–	27,046	27,046
Depreciation change for the year	(8,930)	(41,081)	(50,011)
Disposals	(7,345)	–	(7,345)
Transfer to investment properties	(8,722)	–	(8,722)
As at 31 December 2020	246,449	41,880	288,329

	2020 RMB'000	2019 RMB'000
Expense relating to low-value assets *(note)*	11	9
Total cash outflow for leases	(43,288)	(42,896)

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

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

For both years, the Group leases leasehold lands and buildings for its operations. Lease contracts are entered into for fixed term of 12 months to 5 years (2019: 12 months to 5 years) for buildings, and 40 to 50 years for leasehold lands. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2019	10,277
Transfer from property, plant and equipment and right-of-use assets	272,200
Exchange adjustments	177
Increase in fair value recognized in profit or loss	4,921
At 31 December 2019	287,575
Transfer from property, plant and equipment and right-of-use assets	37,474
Exchange adjustments	(592)
Increase in fair value recognized in other comprehensive income	31,083
Decrease in fair value recognized in profit or loss	(1,641)
At 31 December 2020	353,899

	2020 RMB'000	2019 RMB'000
Investment properties located in		
PRC	344,300	277,500
Hong Kong	9,599	10,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

15. INVESTMENT PROPERTIES (Continued)

notes:

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

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

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

(ii) The fair value of the Group's investment properties as at 31 December 2020 and 31 December 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle, an independent qualified professional valuer not connected to the Group.

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

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

One of the key inputs used in valuing the investment properties in Hong Kong was the price per square feet. For the two investment properties situated in Hong Kong, they ranged from RMB2,543 to RMB6,849 and RMB2,813 to RMB3,402 (2019: RMB5,534 to RMB7,484 and RMB2,149 to RMB2,503), respectively. A slight increase in the price per square feet used would results in significant increase in fair value adjustment of the respective investment properties and vice versa.

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

Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Construction cost per square meter — Based on the type of building structure and taking into account market data on current construction costs for similar properties located in nearby cities	From RMB1,120 to RMB2,860	The higher the construction cost per square meter, the higher-the fair value
Economic life of buildings — Taking into account the estimated useful life of buildings depending on the building structure	Over the remaining lease terms	The longer the useful life, the higher the fair value

The fair value hierarchy of the Group's investment properties as at 31 December 2020 are categorized as Level 3.

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

16. INTERESTS IN ASSOCIATES/AMOUNT DUE TO AN ASSOCIATE

Interests in associates

	2020 RMB'000	2019 RMB'000
Cost of unlisted investments in associates	285,000	285,000
Share of post-acquisition loss and other comprehensive expense	(4,488)	(4,278)
	280,512	280,722

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

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2020	2019	2020	2019	
佛吉亞(柳州)汽車座椅有限公司 Faurecia (Liuzhou) Automotive Seating Co., Limited ("FL Seating")	The PRC	50% (note)	50%	42.86%	42.86%	Manufacture and sale of accessories of motor vehicles
佛吉亞(柳州)汽車內飾系統有限公司 Faurecia (Liuzhou) Automotive Interior Systems Co., Limited ("FL Interior")	The PRC	50% (note)	50%	40.00%	40.00%	Manufacture and sale of accessories of motor vehicles
佛吉亞(柳州)排氣控制技術有限公司 Faurecia (Liuzhou) Emissions Control Technologies Co., Ltd. ("FL Emissions")	The PRC	50% (note)	50%	40.00%	40.00%	Manufacture and sale of accessories of motor vehicles

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Summarized financial information of the Group's associates

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

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

	2020			2019		
	FL Seating RMB'000	FL Interior RMB'000	FL Emissions RMB'000	FL Seating RMB'000	FL Interior RMB'000	FL Emissions RMB'000
Financial information of statement of profit or loss and other comprehensive income						
Revenue	386,372	194,055	674,504	603,570	487,058	424,757
Profit (loss) and total comprehensive income (expense) for the year	1,080	(6,751)	5,251	(18,444)	778	(15,768)
Profit (loss) and total comprehensive income (expense) for the year attributable to the Group	540	(3,376)	2,626	(9,222)	389	(7,884)
Dividends received from associates during the year	–	–	–	–	–	–
Financial information of statement of financial position						
Non-current assets	91,374	261,352	78,747	90,420	179,427	63,724
Current assets	378,871	244,451	331,624	500,502	485,265	296,707
Current liabilities	(331,185)	(192,967)	(300,888)	(452,942)	(345,105)	(256,199)
Non-current liabilities	–	(356)	–	–	(356)	–
Net assets of the associates	139,060	312,480	109,483	137,980	319,231	104,232
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	21,593	27,665	31,478	174,281	126,563	6,980
Current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–	(42,000)	–
Reconciliation to the carrying amounts of interests in the associates:						
Net assets attributable to the equity holders of the associates	139,060	312,480	109,483	137,980	319,231	104,232
Proportion of the Group's ownership interests in the associates	50%	50%	50%	50%	50%	50%
Net assets of interests in the associates attributable to the Group	69,530	156,240	54,742	68,990	159,616	52,116
Carrying amounts of the Group's interests in the associates	69,530	156,240	54,742	68,990	159,616	52,116

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

Amount due to an associate

The balance was due to FL Interior, which was unsecured, interest-free and payable in five years.

17. INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Cost of unlisted investments in joint ventures	243,466	206,200
Share of post-acquisition loss and other comprehensive expense	(63,296)	(45,884)
	180,170	160,316

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

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2020	2019	2020	2019	
柳州菱特動力科技有限公司 Liuzhou Lingte Power Technology Limited ("Liuzhou Lingte")	The PRC	30% (note)	51%	33% (note)	60%	Manufacture and sale of engines
柳州美橋汽車傳動系統有限公司 Liuzhou AAM Automotive Driveline Systems Co., Limited ("Liuzhou AAM")	The PRC	50% (note)	50%	50% (note)	50%	Manufacture and sale of automotive components

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

17. INTERESTS IN JOINT VENTURES (Continued)

Summarized financial information of material joint ventures

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

All of these joint ventures are accounted for using the equity method in the consolidated financial statements.

	2020		2019	
	Liuzhou Lingte RMB'000	Liuzhou AAM RMB'000	Liuzhou Lingte RMB'000	Liuzhou AAM RMB'000
Financial information of statement of profit or loss and other comprehensive income				
Revenue	24,125	43,491	8,159	26,275
Loss and total comprehensive expense for the year	(16,996)	(24,907)	(12,159)	(16,727)
Loss and total comprehensive expense for the year, attributable to the Group	(5,087)	(12,454)	(6,201)	(8,364)
Dividends received from joint ventures during the year	–	–	–	–
The above financial information include the following:				
Depreciation and amortization	(8,390)	(7,827)	(7,542)	(2,245)
Interest expenses	(3,203)	(309)	(1,827)	–
Interest income	42	114	33	–

17. INTERESTS IN JOINT VENTURES (Continued)

Summarized financial information of material joint ventures (Continued)

	2020		2019	
	Liuzhou Lingte RMB'000	Liuzhou AAM RMB'000	Liuzhou Lingte RMB'000	Liuzhou AAM RMB'000
Financial information of statement of financial position				
Non-current assets	233,240	77,335	230,545	80,042
Current assets	49,128	64,005	32,922	53,279
Current liabilities	(46,781)	(49,841)	(44,374)	(16,915)
Non-current liabilities	(33,108)	–	(37,425)	–
Net assets of the joint ventures	202,479	91,499	181,668	116,406
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	8,602	31,109	5,206	26,054
Current financial liabilities (excluding trade and other payables and provisions)	(13,200)	(30,000)	(22,800)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(18,000)	–	(20,000)	–
Reconciliation to the carrying amounts of interests in the joint ventures:				
Net assets attributable to the equity holders of the joint ventures	202,479	91,499	181,668	116,406
Less: Capital reserve not shared by the Group	(46,372)	–	(46,372)	–
Proportion of the Group's ownership interests in the joint ventures	30%*	50%	51%	50%
Net assets of interests in joint ventures attributable to the Group	64,631	45,750	69,001	58,203
Carrying amounts of the Group's interests in the joint ventures	64,631	45,750	69,001	58,203

* As at 31 December 2020, there was registered capital amounting to RMB58,193,000 not been paid by the other shareholder of the joint venture.

17. INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material

	2020 RMB'000	2019 RMB'000
The Group's share of profit and total comprehensive income	129	4,637
Aggregate carrying amount of the Group's interests in joint ventures	69,789	33,112

18. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted investment:		
— Equity security	2,048	2,048

The above unlisted equity investment represents the Group's 0.18% (2019: 0.18%) equity interest in 福建新龍馬發動機有限公司 ("New Long Ma"), a private entity established in the PRC, which is engaged in manufacturing and trading of engine and related parts. The directors of the Company have elected to designate this investment in equity instrument as at FVTOCI as it is not held for trading.

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	594,053	679,129
Work in progress	168,118	339,038
Finished goods	594,988	650,568
	1,357,159	1,668,735

During the year ended 31 December 2020, the cost of inventories recognized as an expense and included in "Cost of sales and services" in the consolidated statement of profit and loss and other comprehensive income amounted to RMB14,079,054,000 (2019: RMB12,907,174,000). Included in cost of inventories recognized as an income of RMB3,853,000 is the reversal of allowances for inventories recognized during the year ended 31 December 2020 (2019: recognized as an expense of RMB19,598,000 is the allowances for inventories).

20. TRADE AND OTHER RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables:			
— SAIC-GM-Wuling Automobile Co., Limited ("**SGMW**")	(a)	2,493,646	2,253,891
— Guangxi Automobile Group	(b)	30,837	47,914
— Guangxi Weixiang Machinery Company Limited ("**Guangxi Weixiang**")	(c)	389	547
— Liuzhou AAM	(c)	2,571	574
— FL Seating	(d)	4,715	2,556
— FL Interior	(d)	6,345	13,609
— FL Emissions	(d)	15,700	33,562
— Third parties		875,479	975,625
		3,429,682	3,328,278
Less: Allowance for credit losses		(87,034)	(64,427)
		3,342,648	3,263,851
Other receivables:		40,043	30,118
Less: Allowance for credit losses		(1,027)	(1,803)
		39,016	28,315
Prepayments	(e)	297,831	585,057
Value-added tax recoverable		72,918	158,598
Total trade and other receivables		3,752,413	4,035,821

20. TRADE AND OTHER RECEIVABLES (Continued)

notes:

(a) Guangxi Automobile has significant influence over SGMW.

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

(c) Guangxi Weixiang and Liuzhou AAM are joint ventures of the Group.

(d) FL Seating, FL Interior and FL Emissions are associates of the Group.

(e) Included in the balance was an amount of RMB nil (2019: RMB37,050,000) paid to SGMW.

The Group allows credit period of 30 days to 180 days for sales of goods to its trade customers.

Included in the trade and other receivables are trade receivables of RMB3,342,648,000 (2019: RMB3,263,851,000) and an ageing analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
0–90 days	**3,051,048**	3,159,976
91–180 days	**262,863**	37,783
181–365 days	**17,538**	27,370
Over 365 days	**11,199**	38,722
	3,342,648	3,263,851

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB243,351,000 (2019: RMB103,875,000) which are past due at the end of the reporting period. Out of the past due balances, RMB56,028,000 (2019: RMB78,493,000) has been past due 90 days or more and is not considered as in default since these balances could be recovered based on the repayment history and the current creditworthiness of these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2020 are set out in note 42(b).

21. BILLS RECEIVABLE AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Bills receivable *(note i)*:		
— SGMW	20,600	241,789
— Guangxi Automobile Group	3,335	108
— FL Interior	368	–
— FL Emissions	1,964	–
— Third parties	1,002,234	539,165
	1,028,501	781,062
Bills receivable discounted with recourse *(note ii)*	3,148,527	3,230,076
	4,177,028	4,011,138

notes:

(i) Bills receivable represent bills received from customers to settle the trade receivables. The bills receivable are mainly bank acceptance bills with a primary maturity period of less than 180 days. The ageing analysis based on the date of receipt of bills from customers is as follow:

	2020 RMB'000	2019 RMB'000
0–90 days	880,076	634,127
91–180 days	142,125	138,826
181–365 days	6,300	8,109
	1,028,501	781,062

(ii) The amounts represent bills receivable discounted to banks or Guangxi Automobile with recourse with a primary maturity period of less than 180 days. The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 28.

The ageing analysis based on the date of receipt of bills from customers is presented as follows:

	2020 RMB'000	2019 RMB'000
0–90 days	1,150,228	1,527,065
91–180 days	1,988,313	1,700,543
181–365 days	9,986	2,468
	3,148,527	3,230,076

Details of impairment assessment of bills receivable at FVTOCI are set out in note 42(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

22. TRANSFERS OF FINANCIAL ASSETS

The following are the Group's financial assets as at 31 December 2020 and 2019 that are transferred to banks or Guangxi Automobile by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing. These financial assets are carried at fair value in the Group's consolidated statement of financial position.

Bills receivable discounted to banks or Guangxi Automobile with full recourse:

	2020 ***RMB'000***	2019 *RMB'000*
Fair value of transferred assets *(note)*	**3,148,527**	3,230,076
Carrying amount of associated liabilities	**(3,142,818)**	(3,250,263)
Net position	**5,709**	(20,187)

Note: The fair value of transferred assets as at 31 December 2020 included an accumulated fair value loss of RMB20,120,000 (2019: RMB30,274,000).

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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 deposits with banks with the original maturity of three months or less and cash at bank and on hand.

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

	Fixed/variable	**2020**	2019
Pledged deposits	Fixed/Variable	**0.90%–1.95%**	1.10%–1.73%
Bank balances	Fixed/Variable	**0.01%–4.20%**	0.30%–3.20%

Details of impairment assessment of pledged bank deposits and bank balances are set out in note 42(b).

24. TRADE AND OTHER PAYABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade and bills payables:	(a)		
— SGMW		542,864	841,627
— Guangxi Automobile Group		40,404	46,077
— FL Seating		96,225	118,878
— FL Interior		43,954	42,864
— FL Emissions		104,805	14,141
— Other related companies		7,652	29
— Third parties		5,928,446	5,646,425
		6,764,350	6,710,041
Value added and other tax payables		259,338	231,300
Accrued research and development expenses		95,062	143,725
Accrued staff costs		137,485	209,087
Deposits received from suppliers		31,728	50,568
Other payables	(b)	294,032	152,000
Total trade and other payables		7,581,995	7,496,721

Notes:

(a) An ageing analysis of trade and bills payables based on the invoice date is presented as follows:

Trade payables

	2020 RMB'000	2019 RMB'000
0 to 90 days	3,278,950	3,133,208
91 to 180 days	260,572	327,970
181 to 365 days	184,948	235,622
Over 365 days	233,766	209,899
	3,958,236	3,906,699

Bills payable

	2020 RMB'000	2019 RMB'000
0 to 90 days	1,440,483	1,920,813
91 to 180 days	1,365,631	882,529
	2,806,114	2,803,342

(b) Included in other payables are amount due to Guangxi Automobile of RMB19,548,000 (2019: RMB18,641,000). The amount is non-trade nature, unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

25. CONTRACT LIABILITIES

	Notes	2020 RMB'000	2019 RMB'000
Sales of engines	(a)	4,707	16,997
Sales of specialized vehicles	(a)	493,133	449,344
Use of technology knowhow	(b)	10,939	12,406
		508,779	478,747
Current		497,840	466,341
Non-current		10,939	12,406
		508,779	478,747

Contract liabilities, that are expected to be realised or settled within the Group's normal operating cycle, are presented as current based on the Group's earliest obligation to transfer goods or services to the customers.

Revenue of RMB466,341,000 (2019: RMB222,082,000) has been recognized in current year that was included in the contract liabilities balance at the beginning of the year.

notes:

(a) The Group receives prepayments from customers when signing the sale and purchase agreements. This will give rise to contract liabilities at the execution of a contract, until the revenue is recognized on relevant contracts. The balance will be recognized as revenue for the year ending 31 December 2021 (2019: 31 December 2020).

(b) The Group has granted New Long Ma right to access certain technology knowhow of the Group in certain designated regions or countries for 15 years since 2013 at a consideration of RMB22,000,000. The balance is recognized as other income over 15 years when New Long Ma has been granted the right to access certain technology knowhow of the Group. An amount of RMB1,466,000 (2019: RMB1,466,000) is recognized during the year ended 31 December 2020 which was included in the contract liability balance at the beginning of the year.

26. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within 1 year	36,273	38,317
After 1 year but within 2 years	4,688	17,275
After 2 years but within 5 years	2,289	1,473
	43,250	57,065
Less: Amount due for settlement with 12 months shown under current liabilities	(36,273)	(38,317)
Amount due for settlement after 12 months shown under non-current liabilities	6,977	18,748

27. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2019	119,290
Additional provision in the year	18,844
Utilization of provision	(60,604)
At 31 December 2019	77,530
Additional provision in the year	54,453
Utilization of provision	(36,022)
At 31 December 2020	95,961

The Group provides warranty of certain periods to its customers on engines and engines related parts, automotive components and accessories and specialized vehicles, under which any product defects are repaired or replaced. The amount of the provision for the warranty is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

28. BANK AND OTHER BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLE DISCOUNTED WITH RECOURSE

	Notes	2020 RMB'000	2019 RMB'000
Bank borrowings		1,404,485	1,040,527
Other borrowings	(i)	51,755	635,000
		1,456,240	1,675,527
Analysis of bank and other borrowings:			
Secured		562	677
Unsecured		1,455,678	1,674,850
		1,456,240	1,675,527
Less: Amounts due within one year shown under current liabilities		(1,455,756)	(955,527)
Amounts shown under non-current liabilities		484	720,000
Advances drawn on bills receivable discounted with recourse	(ii)	3,142,818	3,250,263

Notes:

(i) The balance as at 31 December 2020 is due to Wuling HK which is unsecured, carries fixed interest at 4.00% per annum and repayable in one year. The balance as at 31 December 2019 is due to Guangxi Automobile which is unsecured, carries variable interest at 4.51% per annum with reference to the prevailing lending rate quoted by The People's Bank of China, and repayable in five years.

(ii) The amount represents the Group's bank and other borrowings secured by bills receivable discounted to banks with recourse of RMB2,988,102,000 (2019: RMB2,470,029,000) carry fixed interest at 2.45% to 3.20% (2019: 2.40% to 2.90%) per annum and to Guangxi Automobile with recourse of RMB154,716,000 (2019: RMB780,234,000), carry fixed interest at 2.80% to 3.10% (2019: 2.40% to 2.90%) per annum (see note 21(ii)).

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

	2020	2019
Effective interest rate per annum:		
Fixed-rate borrowings	1.60%–4.00%	2.76%–4.35%
Variable-rate borrowings	2.26%–4.55%	3.00%–4.90%

(iv) The collaterals for the Group's secured bank borrowings are set out in note 36.

(v) The Group's unsecured bank borrowings at 31 December 2020 was supported by corporate guarantee to the extent of RMB1,000,000,000 (2019: RMB1,000,000,000) given by Guangxi Automobile.

29. CONVERTIBLE LOAN NOTES

On 23 May 2017, the Company issued convertible loan notes with an aggregate principal sum of HKD400,000,000 at par (equivalent to approximately RMB353,760,000) to Wuling HK ("**CN 2020**"). Wuling HK is the immediate holding company of the Company. CN 2020 is denominated in HKD and carries interest at 4% per annum with maturity on 23 May 2020. CN 2020 entitles the holder to convert, in whole or in part, the principal sum into ordinary shares of the Company on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date, at a conversion price of HKD0.70 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2020 will be redeemed on maturity date at par.

CN 2020 contains two components, being a liability component and a conversion option derivative component. The effective interest rate of the liability component is 22.68%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

On 29 December 2017, Wuling HK converted the CN 2020 in the aggregate principal amount of HKD150,000,000 into shares of HKD0.004 each at the conversion price of HKD0.70 per share. Accordingly, an aggregate of 214,285,714 ordinary shares of HKD0.004 each were allotted and issued by conversion of the CN 2020.

In May 2020, the remaining principal amount of HKD250,000,000 and coupon of HKD10,000,000 were settled by repayment of HKD200,000,000 and transfer of a new borrowing of HKD60,000,000 from Wuling HK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

30. FINANCIAL ASSETS/(LIABILITY) AT FAIR VALUE THROUGH PROFIT OR LOSS

	Current assets		Current liabilities	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Foreign currency forward contracts	–	21,195	–	2,384

Major terms of foreign currency forward contract is as follows:

Notional amount	Maturity	Forward exchange rate
As at 31 December 2019		
Current assets		
United States dollar ("USD") 55 million	February 2020	Buy USD/sell RMB at 6.6932
USD40 million	April 2020	Buy USD/sell RMB at 6.7350
Current liability		
USD10 million	August 2020	Buy USD/sell RMB at 7.1657

The above currency forward contract is measured at fair value with reference to discounted cash flow provided by AAL as at 31 December 2019. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

31. DEFERRED TAX LIABILITIES

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

	Revaluation of properties RMB'000	Withholding tax on undistributed earnings of the PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	3,318	17,307	2,543	23,168
Released upon distribution of dividends	–	(2,018)	–	(2,018)
(Credit) charge to profit or loss	(144)	5,059	–	4,915
Revaluation resulting from the change from property, plant and equipment and right-of-use assets to investment properties	2,219	–	–	2,219
At 31 December 2019	5,393	20,348	2,543	28,284
Released upon distribution of dividends	–	(471)	–	(471)
Charge (credit) to profit or loss	–	1,022	(2,552)	(1,530)
Revaluation resulting from the change from property, plant and equipment and right-of-use assets to investment properties	4,662	–	–	4,662
At 31 December 2020	10,055	20,899	(9)	30,945

notes:

a. At the end of the reporting period, the Group had unused tax losses of RMB414,413,000 (2019: RMB307,244,000). A deferred tax asset has been recognized in respect of tax losses of RMB62,000 as at 31 December 2020 (2019: RMB62,000). No deferred tax assets has been recognized in respect of the remaining tax losses of RMB414,351,000 (2019: RMB307,182,000) due to the unpredictability of future profit streams. Included in unrecognized tax losses are losses of RMB133,572,000 (2019: RMB46,128,000) that will expire by 2025 (2019: 2024). Other tax losses of RMB280,839,000 (2019: RMB261,054,000) may be carried forward indefinitely.

b. At the end of the reporting period, the Group also had unrecognized deferred tax assets in relation to deductible temporary differences mainly associated with impairment losses on trade and other receivables and property, plant and equipment amounting to RMB330,766,000 (2019: RMB265,852,000).

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

There was no other significant unprovided deferred taxation for the year or at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

32. 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 2019, 31 December 2019 and 31 December 2020		101,521
Issued and fully paid:		
Ordinary shares of HKD0.004 each		
At 1 January 2019 and 31 December 2019	2,050,107,555	8,200
Issue of new ordinary shares by Rights Issue (as defined and detailed in note 33 "Rights Issue" below)	1,025,053,777	4,101
As at 31 December 2020	3,075,161,332	12,301

	2020	2019
	RMB'000	*RMB'000*
Shown in the consolidated financial statements at the end of the reporting period as	11,043	7,366

33. RIGHTS ISSUE

The Group raised a total of approximately HK$205.01million, before expenses, on the basis of one (1) rights share ("Rights Share(s)") for every two (2) ordinary shares of the Company ("Share(s)") held on 21 February 2020 (i.e. the record date) by issuing 1,025,053,777 Rights Shares at the subscription price of HK$0.20 per Rights Share to the qualified shareholders of the Company (the "Rights Issue"). The number of Shares increased to 3,075,161,332 after the Rights Issue.

34. SHARE OPTION SCHEME

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

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

Purpose

Provide incentives and rewards to eligible participants.

Participants

Eligible participants include:

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

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

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

(d) any customer of the Group;

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

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

34. SHARE OPTION SCHEME (Continued)

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

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

151,799,297 ordinary shares, being 10% of the issued share capital as at the date of refreshment of the limit of the granting of share option as approved by the shareholders of the Company on 5 June 2015, and representing approximately 4.9% of the total issued share capital as at 31 December 2020.

Maximum entitlement of each participant

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

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

Subject to the discretion on issuance of board of directors.

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

Not applicable.

Amount payable on acceptance

HKD1.00

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

Not applicable.

34. SHARE OPTION SCHEME (Continued)

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

Basis of determining the exercise price

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

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

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

(c) the nominal value of an ordinary share.

The remaining life of the scheme

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

(ii) During the year ended 31 December 2020 and 2019, no option is granted or outstanding under the Share Option Scheme.

35. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
— Construction in progress	129,519	235,068
— Property, plant and equipment	84,309	38,269
	213,828	273,337

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group's bank borrowings and bills payables were secured by the following:

	2020 RMB'000	2019 RMB'000
Bank deposits	681,745	678,374
Bills receivable	–	5,900
Investment properties	5,391	5,511
	687,136	689,785

As at 31 December 2020, bills receivable discounted with full recourse amounting to RMB3,148,527,000 (2019: RMB3,230,076,000).

37. 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 RMB60,439,000 (2019: RMB65,750,000) represents contributions payable to these schemes by the Group in respect of the year ended 31 December 2020.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020:

a. Bills receivable discounted with recourse of RMB8,945,139,000 (2019: RMB3,899,204,000) has been netted off against advances drawn on bills receivable discounted with recourse when the bills receivable discounted with recourse have been settled;

b. Finance costs of RMB87,280,000 (2019: RMB46,636,000) has been netted off against advances drawn on bills receivable discounted when the bills receivable were discounted; and

c. During the year, the Group entered into new lease agreements for the use of leased properties for 3 years. On the lease commencement, the Group recognized of right-of-use assets of RMB27,046,000 (2019: RMB90,897,000) and lease liabilities of RMB27,046,000 (2019: RMB90,897,000).

39. OPERATING LEASES

The Group as lessor

Property rental income from investment properties earned during the year was RMB21,091,000 (2019: RMB13,364,000). The Group's investment properties is held for rental purpose. It is expected to generate rental yield of 5% (2019: 5%) on an ongoing basis. All investment properties held have committed tenants for the next one to three years (2019: one to four years).

Machinery and other property rental income earned during both years are disclosed in note 5(a). At 31 December 2020 and 2019, all machinery and other property held had no significant committed lessee.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future period as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	16,792	21,442
After 1 year but within 2 years	9,937	6,989
After 2 years but within 3 years	3,475	3,743
After 3 years but within 4 years	–	3,600
	30,204	35,774

40. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	2020 RMB'000	2019 RMB'000
SGMW	Sales by the Group *(note 4)*	7,383,291	6,842,272
	Purchases of materials by the Group	5,846,932	5,580,053
Guangxi Automobile Group	Sales of:		
	Raw materials and automotive components by the Group *(note a)*	87,495	53,950
	Specialized vehicles by the Group *(note a)*	–	319
	Provision of water and power supply services by the Group *(note a)*	4,800	3,208
		92,295	57,477
	Purchase of:		
	Automotive components and other accessories by the Group *(note a)*	75,914	32,039
	Mini passenger buses and electric vehicles spare parts by the Group *(note a)*	148,988	31,410
	Air-conditioning parts and accessories by the Group *(note a)*	1,165	1,864
		226,067	65,313
	Purchase of machinery and equipment by the Group *(note a)*	3,868	5,518
	License fee paid by the Group	–	1,226
	Interest expenses on lease liabilities *(note a)*	1,796	3,466
	Lease liabilities	31,483	50,103
	Repayment of lease liabilities *(note a)*	34,652	28,134
	Interest expenses paid by the Group on advances drawn on bills receivable (see (v) below)	13,648	28,515
	Interest expenses paid by the Group on other borrowings (see (ii) below) *(note 28)*	8,739	14,886
Guangxi Weixiang	Sales of steels and automotive components by the Group	1,264	3,424
	Purchase of automotive components and other accessories by the Group	345	1,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

40. RELATED PARTY DISCLOSURES (Continued)

(i) Related party transactions (Continued)

Company	Transactions	2020 RMB'000	2019 RMB'000
FL Interior	Sales of automotive components by the Group	7,424	5,750
	Sales of property, plant and equipment by the Group	9,620	719
	Purchase of automotive components by the Group	190,421	–
	Rental of investment properties received by the Group	2,427	4,488
FL Seating	Sales of automotive components by the Group	17,500	1,544
	Sales of property, plant and equipment	5,465	10,192
	Purchase of automotive components by the Group	407,066	–
	Rental of investment properties received by the Group	5,233	1,827
FL Emissions	Sales of automotive components by the Group	42,118	255,088
	Sales of property, plant and equipment by the Group	3,651	45,436
	Purchase of automotive components by the Group	660,505	9,334
	Rental of investment properties received by the Group	1,850	2,223
Liuzhou AAM	Sales of automotive components by the Group	1,273	-
	Rental of investment properties received by the Group	10,929	-
	Purchase of automotive components by the Group	23,720	-
上海詣譜自動化裝備有限公司 (Shanghai Yipu Automatic Equipment Co., Ltd.) ("Shanghai Yipu")	Purchase of machinery and equipment by the Group	44,587	72,527
	Purchase of toolings by the Group	–	15,715

Notes:

(a) These transactions were considered as continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange.

40. RELATED PARTY DISCLOSURES (Continued)

(ii) Related party balances and other borrowings

Details of the Group's outstanding balances with related parties are set out in notes 16, 20, 21, 24 and 28.

(iii) Guarantees provided

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

(iv) Key management personnel remuneration

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

	2020 RMB'000	2019 RMB'000
Short-term benefits	3,945	3,343
Post-employment benefits	419	377
	4,364	3,720

(v) Provision of facility

During the year, Guangxi Automobile agreed to provide a facility to the Group, whereby the Group could discount, its bills receivable to Guangxi Automobile to RMB5,100,000,000 (2019: RMB4,600,000,000). The discount rate per annum was the lowest discount rates offered by banks as obtained by the Group from time to time. During the year, the Group discounted bills receivable of RMB1,421,629,000 (2019: RMB2,434,768,000) to Guangxi Automobile with a maturity period less than 180 days and at an average discount rate of 2.60% (2019: 3.16%) per annum.

(vi) Convertible loan notes

Details of convertible loan notes issued to Wuling HK are set out in note 29.

41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes amount due to an associate, the advances drawn on bills receivable discounted with recourse and bank and other borrowings, and convertible loan notes as disclosed in notes 16, 28 and 29, respectively, and equity attributable to owners of the Company in the consolidated statement of financial position.

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.

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets measured at amortised cost	5,009,984	4,808,596
Bills receivable at FVTOCI	4,177,028	4,011,138
Equity instrument at FVTOCI	2,048	2,048
Financial assets at FVTPL	–	21,195
Financial liabilities		
Amortized cost	11,707,440	12,051,881
Financial liabilities at FVTPL	–	2,384

b. Financial risk management objectives and policies

The Group's major financial instruments are listed above. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

i. Currency risk

The Group is exposed to currency risk primarily through sales, purchases and financing activities which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving risk to this risk are primarily Hong Kong dollars and United States dollars.

In order to mitigate the currency risk, the Group has entered into a foreign currency contract to partially hedge USD against RMB. Details of the contract are set out in note 30. The Group regularly reviews the effectiveness of this instrument and the underlying strategies in monitoring currency risk.

Exposure to currency risk

The following table details the Group's major exposure as at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded in below table.

	Exposure to foreign currencies (expressed in RMB)			
	2020		2019	
	United States Dollars RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Cash and cash equivalents	11	851	22	3,074
Trade and other payables	–	(7,300)	–	(3,699)
Convertible loan notes	–	–	–	(214,050)
Bank and other borrowings	–	(80,946)	(732,501)	(23,026)
Net exposure	11	(87,395)	(732,479)	(237,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

i. Currency risk (Continued)

Sensitivity analysis

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

	2020 RMB'000	2019 RMB'000
Impact on post-tax loss		
— HKD	3,277	8,914
— USD	–	27,468

ii. Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings due to the fluctuation of the prevailing market interest rate, and exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, advances drawn on bills receivables discounted with recourse, pledged bank deposits, bank balances, lease liabilities and convertible loan notes. The directors of the Company consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as interest-bearing bank balances are within short maturity periods. It's the Group's policy to keep its borrowings at a mixture of floating rate and fixed rate of interest so as to minimize the fair value interest rate risk.

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the lending rate quoted by the People's Bank of China arising from the Group's RMB denominated borrowings and London Interbank Offered Rate arising from the Group's USD denominated borrowings.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

ii. Interest rate risk (Continued)

Interest rate profile

The following table details the interest rate profile of the Group's borrowings as at the end of the reporting period:

	2020 Effective interest rate *per annum*	2020 *RMB'000*	2019 Effective interest rate *per annum*	2019 *RMB'000*
Fixed rate instruments:				
Bank and other borrowings	1.60%-4.00%	1,427,049	2.76%-4.35%	248,701
Convertible loan notes	–	–	22.68%	214,050
Advances drawn on bills receivables discounted with recourse	2.45%-3.20%	3,142,818	2.40%-2.90%	3,250,263
Lease liabilities	4.75%	43,250	4.75%	57,065
Variable rate instruments:				
Bank and other borrowings	2.26%-4.55%	29,191	3.00%-4.90%	1,426,826
Total instruments		4,642,308		5,196,905

Sensitivity analysis

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

If interest rates had been 50 basis point higher and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2020 would increase by RMB109,000 (2019: RMB5,384,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iii. Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of respective recognized financial assets (except for equity investments at fair value through other comprehensive income) as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimize credit risk, the management of the Group has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Independent companies are engaged to investigate the credibility of customers, and guarantees or pledges of assets provided by them on a needed basis. In addition, the Group performs impairment assessment under ECL model on trade receivables individually for debtors from related parties and credit-impaired debtors, and based on provision matrix with appropriate groups. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 20) which represents 75% (2019: 69%) of the total trade receivables as at 31 December 2020. For both years, SGMW, which is a well-known car manufacturer in the PRC, and a company controlled by Shanghai Automobile Industry (Group) Company Limited, together with GM (China) Investment Co., Limited and Guangxi Automobile, both as non-controlling shareholders, has good financial position by reference to its respective financial statements, which are regularly reviewed by Guangxi Automobile. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by the Group. In view of the significant balance due from SGMW, the Group has kept regular contact with SGMW for updated information. In addition, as Guangxi Automobile has representative in the board of directors of SGMW, the Group can access the up-to-date information of SGMW. In this regard, the Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

Pledged bank deposits and bank balances and cash

The credit risk on liquid funds is limited because the Group's pledged bank deposits, time deposits and bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iii. Credit risk and impairment assessment (Continued)

Bills receivables at FVTOCI

The credit risk on bills receivables at FVTOCI is limited because the bills receivables are issued by banks with high credit ratings in the PRC.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iii. Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2020 RMB'000	Gross carrying amount 2019 RMB'000
Bills receivables at FVTOCI	21	*(note 2)*	12m ECL	4,177,028	4,011,138
Financial assets at amortized cost					
Pledged bank deposits	23	*(note 2)*	12m ECL	681,745	678,374
Bank balances	23	*(note 2)*	12m ECL	946,556	838,031
Other receivables	20		12m ECL	40,043	30,118
Trade receivables — goods and services	20	*(note 1)*	Lifetime ECL (provision matrix)	859,445	959,128
		Low risk	Lifetime ECL	2,554,203	2,352,653
		Loss	Credit-impaired	16,034	16,497

notes:

(1) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors from related parties or credit-impaired trade receivables, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating/past due status.

(2) The credit risk is limited because the counterparties are banks with high reputation.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iii. Credit risk and impairment assessment (Continued)

Provision matrix — debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of miscellaneous customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at the end of the reporting period within lifetime ECL (not credit- impaired). Debtors from related parties or credit-impaired with gross carrying amounts of RMB2,554,203,000 (2019: RMB2,352,653,000) and RMB16,034,000 (2019: RMB16,497,000) respectively as at 31 December 2020 were assessed individually.

Gross carrying amount

	2020		2019	
	Average loss rate %	Trade receivables RMB'000	Average loss rate %	Trade receivables RMB'000
Not past due	0.8	598,213	0.2	855,653
1–90 days past due	9.6	164,814	1.6	32,962
Over 90 days past due	40.7	96,418	45.2	70,513
		859,445		959,128

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iii. Credit risk and impairment assessment (Continued)

Gross carrying amount (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	17,584	40,340	57,924
Transfer	14,158	(14,158)	–
Impairment losses recognized	16,188	12,339	28,527
Impairment losses reversed	–	(2,256)	(2,256)
Write-offs	–	(19,829)	(19,829)
Exchange adjustments	–	61	61
As at 31 December 2019	47,930	16,497	64,427
Transfer	5,820	(5,820)	–
Impairment losses recognized	17,250	13,371	30,621
Impairment losses reversed	–	(5,306)	(5,306)
Write-offs	–	(2,708)	(2,708)
As at 31 December 2020	71,000	16,034	87,034

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iv. Liquidity risk

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

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

The Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of the Group as at 31 December 2020 was RMB1,884,523,000 (2019: RMB1,304,476,000). 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(b).

The following table details the Group's remaining contractual maturity for its 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, and the undiscounted gross (inflows) and outflows on the derivative that required gross settlement. 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 liquidity analysis for the Group's derivative financial instrument were prepared based on the contractual maturities as the management considered that the contractual maturities were essential for an understanding of the timing of the cash flows of derivative.

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iv. Liquidity risk (Continued)

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

	On demand or less than 1 year RMB'000	1–2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2020						
Non-derivative financial liabilities						
Trade and other payables	7,058,382	–	–	–	7,058,382	7,058,382
Amount due to an associate	–	–	50,000	–	50,000	50,000
Bank and other borrowings	1,464,317	115	345	173	1,464,950	1,456,240
Advances drawn on bills receivables discounted with recourse	3,168,647	–	–	–	3,168,647	3,142,818
Lease liabilities	37,060	4,894	2,392	–	44,346	43,250
	11,728,406	5,009	52,737	173	11,786,325	11,750,690

42. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

iv. Liquidity risk (Continued)

	On demand or less than 1 year RMB'000	1–2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2019						
Non-derivative financial liabilities						
Trade and other payables	6,862,041	–	–	–	6,862,041	6,862,041
Amount due to an associate	–	–	50,000	–	50,000	50,000
Convertible loan notes	220,439	–	–	–	220,439	214,050
Bank and other borrowings	960,336	34,215	737,392	72,940	1,804,883	1,675,527
Advances drawn on bills receivables discounted with recourse	3,261,478	–	–	–	3,261,478	3,250,263
Lease liabilities	39,191	19,664	1,571	–	60,426	57,065
	11,343,485	53,879	788,963	72,940	12,259,267	12,108,946
Derivative financial liabilities						
Foreign currency forward contracts — outflow	2,406	–	–	–	2,406	2,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

42. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3 as set out in note 2) based on the degree to which the inputs to the fair value measurements is observable.

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

	Fair value as at 31 December		Fair value hierarchy
	2020 **RMB'000**	2019 RMB'000	
Financial assets			
Bills receivables at FVTOCI *(note a)*	**4,177,028**	4,011,138	Level 2
Foreign currency forward contracts *(note b)*	–	21,195	Level 2
Financial liabilities			
Foreign currency forward contract *(note b)*	–	2,384	Level 2

Notes:

(a) These financial assets are measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

(b) These financial assets and liability are measured at fair value determined by AAL with reference to discounted cash flow as at 31 December 2019. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between different levels of the fair value hierarchy throughout the year.

42. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

(ii) Fair value of financial instruments that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities that are not measured at fair value on recurring basis but recorded at amortized cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities .

	Bank and other borrowings *(note 28)* *RMB'000*	Other payables *(note 24(b))* *RMB'000*	Lease liabilities *(note 26)* *RMB'000*	Interest payable *(note 24)* *RMB'000*	Convertible loan notes *(note 29)* *RMB'000*	Advances drawn on bills receivable discounted with recourse *RMB'000*	Dividend payable *RMB'000*	Amount due to non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2019	759,779	53,534	5,072	509	179,505	1,142,306	–	–	2,140,705
Financing cash flows	892,015	(34,893)	(42,887)	(56,853)	(8,811)	5,960,525	(9,164)	(35,630)	6,664,302
Dividend recognized as distribution	–	–	–	–	–	–	9,164	–	9,164
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	35,630	35,630
Foreign exchange loss, net	23,714	–	–	–	3,627	–	–	–	27,341
New lease entered	–	–	90,897	–	–	–	–	–	90,897
Net off of bills receivable discounted with recourse	–	–	–	–	–	(3,899,204)	–	–	(3,899,204)
Finance costs recognized	–	–	3,983	56,853	39,729	46,636	–	–	147,201
Exchange adjustments	19	–	–	–	–	–	–	–	19
At 31 December 2019	1,675,527	18,641	57,065	509	214,050	3,250,263	–	–	5,216,055
As at 1 January 2020	1,675,527	18,641	57,065	509	214,050	3,250,263	–	–	5,216,055
Financing cash flows	(250,186)	907	(43,330)	(108,673)	(182,314)	8,750,414	(7,769)	(7,748)	8,151,301
Dividend recognized as distribution	–	–	–	–	–	–	7,769	–	7,769
Dividend recognized as distribution to non-controlling interests	–	–	–	–	–	–	–	7,748	7,748
Net off between convertible notes and new borrowings	53,716	–	–	–	(53,716)	–	–	–	–
Foreign exchange loss, net	(22,817)	–	–	–	3,316	–	–	–	(19,501)
New lease entered	–	–	27,046	–	–	–	–	–	27,046
Net off of bills receivable discounted with recourse	–	–	–	–	–	(8,945,139)	–	–	(8,945,139)
Finance costs recognized	–	–	2,469	108,164	18,664	87,280	–	–	216,577
At 31 December 2020	1,456,240	19,548	43,250	–	–	3,142,818	–	–	4,661,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2020 and 2019 is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	280	404
Right-of-use assets	–	263
Unlisted investments in subsidiaries	981,519	981,519
	981,799	982,186
CURRENT ASSETS		
Amounts due from subsidiaries	21,579	18,813
Prepayments and deposits	618	1,314
Bank balances and cash	789	2,919
	22,986	23,046
CURRENT LIABILITIES		
Other payables and accruals	4,530	2,377
Lease liabilities	–	269
Convertible loan notes	–	214,050
Bank and other borrowings	80,383	22,350
	84,913	239,046
NET CURRENT LIABILITIES	(61,927)	(216,000)
TOTAL ASSETS LESS CURRENT LIABILITIES	919,872	766,186
NET ASSETS	919,872	766,186
CAPITAL AND RESERVES		
Share capital	11,043	7,366
Reserves	908,829	758,820
TOTAL EQUITY	919,872	766,186

Approved and authorised for issue by the board of directors on 30 March 2021 and are signed on its behalf by:

Mr. Yuan Zhijun	**Mr. Lee Shing**
CHAIRMAN	*VICE-CHAIRMAN AND CHIEF EXECUTIVE OFFICER*

45. PRINCIPAL SUBSIDIARIES

(i) General information of subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Place and date of establishment/ incorporation	Nominal value of issued capital/ registered capital/ fully paid capital	Effective shareholding				Principal activities
			2020		2019		
			Direct %	Indirect %	Direct %	Indirect %	
Wuling Industrial	The PRC 30 October 2006 *(note iii)*	RMB1,203,706,746	60.90 *(note i)*	–	60.90 *(note i)*	–	Investment holding, manufacture and sale of automotive components and accessories, specialized vehicles, trading of steels, and provision of water and power supply services
柳州五菱柳機動力有限公司 Liuji Motors	The PRC 16 June 1993 *(note iii)*	RMB100,125,389	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of petrol engines and motor cycles engines
無錫五菱動力機械有限責任公司	The PRC 15 July 2005 *(note iii)*	RMB6,000,000	–	41.41 *(note ii)*	–	41.41 *(note ii)*	Manufacture and sale of accessories of motor vehicles
柳州卓通汽車零部件有限公司	The PRC 21 November 2013 *(note iii)*	RMB10,000,000	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of accessories of motor vehicles
重慶卓通汽車工業有限公司	The PRC 19 May 2014	RMB150,000,000	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of accessories of motor vehicles
Pt. LZWL Motors Limited	Indonesia 17 March 2018	USD31,280,000	–	60.90 *(note ii)*	–	60.90 *(note ii)*	Manufacture and sale of accessories of motor vehicles
佛吉亞(柳州)汽車座椅銷售有限公司	The PRC 15 December 2017	RMB1,000,000	–	34.50 *(note ii)*	–	34.50 *(note ii)*	Manufacture and sale of automotive components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

45. PRINCIPAL SUBSIDIARIES (Continued)

(i) General information of subsidiaries (Continued)

notes:

i. In accordance with the sino-foreign equity joint venture agreements entered by the Company and Guangxi Automobile in 2007, the Company has control on Wuling Industrial, and the Company shares profit or loss of Wuling Industrial according to the amount of its paid up capital contribution in Wuling Industrial. The profit sharing ratio at 31 December 2020 of the Company and Guangxi Automobile in Wuling Industrial were 60.90% and 39.10% (2019: 60.90% and 39.10%), respectively.

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

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

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

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

(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/(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020 %	2019 %	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Wuling Industrial	The PRC	39.10	39.10	11,536	(42,589)	1,018,471	994,719

45. PRINCIPAL SUBSIDIARIES (Continued)

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

Summarized financial information in respect of Wuling Industrial that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Wuling Industrial

	2020 RMB'000	2019 RMB'000
Current assets	10,912,843	11,278,386
Non-current assets	4,465,176	4,428,695
Current liabilities	12,722,342	12,316,698
Non-current liabilities	63,859	829,438
Revenue	15,382,019	14,237,138
Expenses	15,352,515	14,346,061
Profit (loss) for the year	29,504	(108,923)
Other comprehensive income	51,059	4,659
Total comprehensive income (expense)	80,563	(104,264)
Total comprehensive income (expense) attributable to non-controlling interests	31,500	(40,768)
Dividends paid to non-controlling interests	7,748	35,630

46. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2021, the Company announced a top-up placing and subscription exercise under the general mandate obtained from the shareholders of the Company during the annual general meeting of the Company held on 30 June 2020. Upon which a total number of 223,000,000 new Shares were issued at HK$2.47 per Share, raising a net proceeds of approximately HK$537.8 million for the purposes of, inter alia, financing the research and development projects of the new model electric logistic vehicles of the Group and the repayment of certain interest-bearing short-term borrowings of the Company. This top-up placing and subscription exercise, which was completed on 1 February 2021, would also help to further strengthen the financial position of the Group.

47. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2020 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing *(Vice-chairman and Chief Executive Officer)*
Mr. Yang Jianyong
Mr. Wei Mingfeng *(Appointed on 24 March 2021)*
Mr. Wong Zhengtong *(Resigned on 29 January 2021)*

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Wang Yuben
Mr. Mi Jianguo

REMUNERATION COMMITTEE

Mr. Mi Jianguo *(Chairman)*
Mr. Ye Xiang
Mr. Wang Yuben

NOMINATION COMMITTEE

Mr. Yuan Zhijun *(Chairman)*
Mr. Lee Shing
Mr. Ye Xiang
Mr. Wang Yuben
Mr. Mi Jianguo

ESG COMMITTEE

Mr. Ye Xiang *(Chairman)*
Mr. Yuan Zhijun
Mr. Lee Shing
Mr. Wang Yuben

COMPANY SECRETARY

Mr. Lai Shi Hong Edward

AUDITOR

KPMG

SOLICITOR

Sidley Austin

PRINCIPAL BANKERS

Hong Kong

Hang Seng Bank Limited
Dah Sing Bank, Limited
Bank of China (Hong Kong) Limited

PRC

China Construction Bank Corporation
China Everbright Bank Co., Limited
Hua Xia Bank Co., Limited
Industrial Bank Co., Limited
China Marchants Bank Co., Ltd
Shanghai Pudong Development Bank Co., Ltd
China Citic Bank
Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
China Minsheng Bank Corp. Ltd
Bank of Communication Co., Ltd

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