Dragon Hill Wuling Automobile Holdings Limited
(俊山五菱汽車集團有限公司*)
(Incorporated in Bermuda with limited liability) (Stock Code: 305)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The Board of Directors (the "Board") of Dragon Hill Wuling Automobile Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008.

The interim financial results are unaudited, but have been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose independent review report is included in the interim report to be sent to the shareholders. The interim financial results have also been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	NOTES	**2008** *RMB'000* **(Unaudited)**	2007 *RMB'000* (Unaudited) (restated)
Revenue	*3*	**3,674,925**	10,425
Cost of sales		**(3,341,597)**	(7,254)
Gross profit		**333,328**	3,171
Other income		**61,807**	1,075
Selling, distribution and warranty expenses		**(88,691)**	–
Administrative expenses		**(158,128)**	(8,551)
Research and development expenses		**(20,286)**	–
Changes in fair value of investment properties		**4,003**	2,106
Changes in fair value of held–for–trading investments		**(250)**	4,563
Share of result of an associate		**541**	–
Finance costs		**(16,753)**	(406)
Profit before taxation	*4*	**115,571**	1,958
Taxation	*5*	**(26,483)**	–
Profit for the period		**89,088**	1,958
Attributable to:			
Equity holders of the Company		**8,406**	1,958
Minority interests		**80,682**	–
		89,088	1,958
Dividend	*6*	**–**	–
Earnings per share	*7*		
- Basic		**RMB0.92 cent**	RMB0.23 cent
- Diluted		**N/A**	RMB0.22 cent

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	**30 June 2008 *RMB'000* (Unaudited)**	31 December 2007 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**488,539**	444,445
Prepaid lease payments – non-current portion		**1,997**	2,022
Premium on prepaid lease payments		**1,060**	1,072
Investment properties	*8*	**22,452**	19,737
Intangible assets		**873**	928
Interest in an associate		**3,043**	2,502
Available-for-sale investments		**498**	498
Deposits for trading rights		**202**	192
Prepayment for acquisition of property, plant and equipment		**68,098**	59,094
		586,762	530,490
CURRENT ASSETS			
Inventories		**473,804**	432,603
Loan receivables	*9*	**2,378**	2,448
Trade and other receivables	*10*	**3,374,408**	2,586,718
Prepaid lease payments – current portion		**49**	49
Held-for-trading investments		**7**	1,038
Client trust bank accounts		**2,171**	5,987
Pledged bank deposits		**153,644**	302,034
Cash and cash equivalents		**660,116**	601,617
		4,666,577	3,932,494
CURRENT LIABILITIES			
Trade and other payables	*11*	**3,134,183**	2,212,874
Amount due to a shareholder	*16*	**1,103,671**	1,405,695
Amount due to an associate	*16*	**510**	8,296
Provision for warranty	*12*	**65,592**	64,279
Tax liabilities		**57,191**	67,420
Bank borrowings - due within one year	*13*	**198,296**	90,005
Obligations under finance leases - due within one year		**270**	287
		4,559,713	3,848,856
NET CURRENT ASSETS		**106,864**	83,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**693,626**	614,128

	NOTES	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year	13	**29,502**	32,504
Deferred tax liabilities		**2,209**	210
Obligations under finance leases - due after one year		**547**	725
		32,258	33,439
		661,368	580,689
CAPITAL AND RESERVES			
Share capital	14	**3,659**	3,659
Reserves		**124,227**	104,917
Equity attributable to equity holders		**127,886**	108,576
Minority interests		**533,482**	472,113
		661,368	580,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company											
	Issued share capital *RMB'000*	Share premium account *RMB'000*	Exchange reserve *RMB'000*	Contributed surplus *RMB'000* *Note (i)*	Share option reserve *RMB'000*	PRC general reserve *RMB'000* *Note (ii)*	Capital reserve *RMB'000* *Note (iii)*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2007 (audited)	3,069	228,586	–	97,435	–	–	–	2,400	(298,126)	33,364	–	33,364
Profit for the period representing total recognised income and expenses for the period	–	–	–	–	–	–	–	–	1,958	1,958	–	1.958
Share issue expenses	–	(20)	–	–	–	–	–	–	–	(20)	–	(20)
Exercise of warrants	590	50,739	–	–	–	–	–	(2,400)	–	48,929	–	48,929
Subtotal	590	50,719	–	–	–	–	–	(2,400)	–	48,909	–	48,909
At 30 June 2007 (unaudited)	3,659	279,305	–	97,435	–	–	–	–	(296,168)	84,231	–	84,231
Exchange difference arising from translation of foreign operation and total expense recognised directly in equity	–	–	(3,349)	–	–	–	–	–	–	(3,349)	–	(3,349)
Profit for the period	–	–	–	–	–	–	–	–	9,189	9,189	63,471	72,660
Total recognised income and expense for the period	–	–	(3,349)	–	–	–	–	–	9,189	5,840	63,471	69,311
Deemed capital contribution	–	–	–	–	–	–	18,505	–	–	18,505	408,642	427,147
Transfers	–	–	–	–	–	9,085	–	–	(9,085)	–	–	–
Subtotal	–	–	–	–	–	9,085	18,505	–	(9,085)	18,505	408,642	427,147
At 31 December 2007 (audited)	3,659	279,305	(3,349)	97,435	–	9,085	18,505	–	(296,064)	108,576	472,113	580,689
Exchange difference arising from translation of foreign operation and total expense recognised directly in equity	–	–	(4,459)	–	–	–	–	–	–	(4,459)	–	(4,459)
Profit for the period	–	–	–	–	–	–	–	–	8,406	8,406	80,682	89,088
Total recognised income and expense for the period	–	–	(4,459)	–	–	–	–	–	8,406	3,947	80,682	84,629
Deregistration of a subsidiary *(note iv)*	–	–	–	–	–	(446)	–	–	–	(446)	(2,723)	(3,169)
Share –based payments	–	–	–	–	5,381	–	–	–	–	5,381	–	5,381
Dividend paid to minority interest	–	–	–	–	–	–	–	–	–	–	(6,162)	(6,162)
Transfers	–	–	–	–	–	12,598	–	–	(2,170)	10,428	(10,428)	–
Subtotal	–	–	–	–	5,381	12,152	–	–	(2,170)	15,363	(19,313)	(3,950)
At 30 June 2008 (unaudited)	3,659	279,305	(7,808)	97,435	5,381	21,237	18,505	–	(289,828)	127,886	533,482	661,368

Notes:

(i) The Group's contributed surplus represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation on 30 October 1992, over the nominal value of the Company's shares issued in exchange therefor; and (ii) the transfer of the credit which arose from the cancellation of the paid–up capital on reduction of the par value of each issued ordinary share on 19 June 2006.

(ii) According to the relevant requirement in the memorandum of association of the PRC subsidiaries, a portion of their profits after taxation, as determined by the board of directors of those subsidiaries is transferred, to PRC general reserve. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to offset the losses of the previous years, if any.

(iii) The capital reserve represents the deemed capital contribution arising on acquisition of a subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), from Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), a substantial shareholder of the Company, in August 2007.

(iv) During the period, 北京北汽發動機有限公司, a 51% owned subsidiary, was deregistered. Neither gain nor loss is resulted from the deregistration.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	2008 *RMB'000* (Unaudited)	2007 *RMB'000* (Unaudited) (restated)
Net cash from operating activities	**209,337**	12,713
Net cash from (used in) investing activities		
Decrease in pledged bank deposits	**148,390**	–
Proceeds from disposal of property, plant and equipment	**4,286**	–
Deposits paid for acquisition of property, plant and equipment	**(68,098)**	–
Purchase of property, plant and equipment	**(17,764)**	(788)
Other investing cash flows	**7,901**	(1,230)
	74,715	(2,018)
Net cash (used in) from financing activities		
Repayment to a shareholder	**(302,798)**	–
Repayment of bank borrowings	**(43,215)**	(400)
Interest paid	**(16,753)**	(406)
Repayment of amount due to an associate	**(7,786)**	–
Dividends paid to minority shareholders of subsidiaries	**(5,388)**	–
Bank borrowings raised	**151,195**	–
Proceeds from issue and exercise of warrants	**–**	48,929
Other financing cash flows	**(139)**	1,257
	(224,884)	49,380
Net increase in cash and cash equivalents	**59,168**	60,075
Cash and cash equivalents at beginning of period	**601,617**	7,607
Effect of foreign exchange rate changes	**(669)**	–
Cash and cash equivalent at end of period	**660,116**	67,682
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**660,116**	63,382
Non–pledged time deposits with original maturity of less than three months when acquired	**–**	4,300
	660,116	67,682

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

On 15 May 2007, the Company entered into a joint venture agreement with Liuzhou Wuling, a substantial shareholder of the Company, to establish Wuling Industrial. Pursuant to the joint venture agreement, the Company agreed to subscribe for 51% of the registered capital of Wuling Industrial for a cash consideration of RMB391,000,000 while Liuzhou Wuling subscribed for 49% of the registered capital by transferring certain business, assets and liabilities thereto. According to the relevant joint venture agreement, the balance of the subscription money will be paid within two years from the date of the establishment of Wuling Industrial and the Company is entitled to share the profit of Wuling Industrial based on the percentage of its actual capital contribution made. Up to 30 June 2008 the registered capital of Wuling Industrial contributed by the Company amounted to RMB78,200,000.

Following the investment in Wuling Industrial, the Company re–examined its functional currency and presentation currency in light of the change in the Group's source of income, expenses and funding. As a result of this examination, the directors have determined that the functional currency of the Company has been changed to Renminbi ("RMB"). Accordingly, these condensed consolidated financial statements are prepared and presented on this basis. The comparative figures for the six months ended 30 June 2007 have also been re–stated to change the presentation currency to RMB accordingly.

The change in presentation currency for the six months ended 30 June 2007 did not give rise to a material impact on the exchange reserve.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and investment properties, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC)–Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)–Int 12	Service Concession Arrangements
HK(IFRIC)–Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 July 2009*
[3] *Effective for annual periods beginning on or after 1 July 2008*
[4] *Effective for annual periods beginning on or after 1 October 2008*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into the following five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

- Manufacture and sale of automotive components and accessories
- Manufacture and sale of specialized vehicles
- Manufacture and sale of engines and parts
- Procurement services of raw materials, water and power supply
- Others

Following the acquisition of Wuling Industrial in August 2007, the Company re-examined its segment reporting and combined all of its business segments other than those undertaken by Wuling Industrial and its subsidiaries into one segment under "others" (which included securities trading, dealing and brokerage and provision of margin financing, money lending and property investment) as all these business segments were no longer separately reportable. Accordingly, the business segments information for the six-month period ended 30 June 2007 has not been presented as under the new business segment reporting basis, all of the businesses of the Group for that period are under a single segment – "others".

	Automotive components and accessories	**Specialized vehicles**	**Engines and parts**	**Procurement services of raw materials, water and power supply**	**Others**	**Elimination**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the period ended 30 June 2008							
Turnover							
External sales	1,652,781	261,150	1,488,777	270,889	1,328	–	3,674,925
Inter–segment sales	24,506	30,092	7,495	986,939	–	(1,049,032)	–
Total	1,677,287	291,242	1,496,272	1,257,828	1,328	(1,049,032)	3,674,925

Inter–segment sales were charged at prevailing market prices.

Segment results	18,120	6,222	66,077	38,893	(1,477)		127,835
Unallocated income							16,414
Unallocated expense							(12,466)
Share of result of an associate							541
Finance costs							(16,753)
Profit before taxation							115,571
Taxation							(26,483)
Profit for the period							89,088

4. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments	**2,176**	1,085
Other staff costs	**111,650**	1,983
Retirement benefit scheme contributions, excluding directors	**35,887**	76
Total staff costs	**149,713**	3,144
Gross property rental income	**(492)**	(348)
Direct operating expenses (including repairs and maintenance) arising on rental–earning investment properties	**2**	7
Net rental income	**(490)**	(341)
Cost of inventories recognised as an expense	**2,938,749**	–
Depreciation of property, plant and equipment	**28,899**	486
Gain on disposal of property, plant and equipment	**(1,217)**	–
Amortisation of prepaid lease payments (included in administrative expenses)	**25**	–
Amortisation of premium on prepaid lease payments (included in administrative expenses)	**12**	–
Bank interest income	**(7,895)**	(251)

5. TAXATION

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Tax charge represents:		
PRC income tax for current period	**24,453**	–
Deferred tax		
Current period	**649**	–
Dividend withholding tax	**1,381**	–
	26,483	–

No provision for Hong Kong Profits Tax has been made for both periods as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong.

Pursuant to the tax notice, Caishui [2001] No. 202, other than Wuling Industrial which was subject to PRC income tax rate of 33%, all the major operating subsidiaries of the Group in the PRC are entitled to a preferential income tax rate of 15% because (i) they are located in the western areas of China; (ii) their main business falls into the National Key Encouraged Industry and Technology Catalogue; and (iii) their sale revenue generated from their main business exceeds 70% of their total income.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Pursuant to the New Law and the Implementation Regulations, Wuling Industrial will be subject to tax rate at 25% with effect from 1 January 2008 while all the other major operating subsidiaries in the PRC will continue to enjoy the preferential tax rate at 15% until 2010.

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008 – 2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008.

Deferred tax has been provided for in the condensed consolidated financial statements in respect of the undistributed profits earned by the Company's PRC subsidiaries starting from 1 January 2008 attributable to the Group under the New Law that are subject to withholding tax upon the distribution of such profits to the shareholders outside the PRC.

6. DIVIDEND

No dividend was declared by the Company in respect of the two periods ended 30 June 2007 and 30 June 2008.

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	**8,406**	1,958

	For the six months ended 30 June	
	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**917,288,049**	856,790,811
Effect of dilutive potential ordinary share:		
Warrants	**–**	42,596,094
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	899,386,905

The computation of diluted earnings per share for the six months ended 30 June 2008 does not assume the conversion of the Company's outstanding share options since the exercise price of the outstanding share options was higher than the market value of the Company's share throughout the interim period.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties are all situated in Hong Kong and are held under long term leases. They are leased to third parties under operating leases during the six months ended 30 June 2008. The fair value of the Group's investment properties at 30 June 2008 has been arrived at on the basis of a valuation carried out as of that day by Vigers Appraisal & Consulting Limited, independent professional qualified valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar transactions. The resulting increase in fair value of the investment properties of RMB4,003,000 has been recognised directly in the condensed consolidated income statement.

Subsequent to the period end, the Group entered into sale and purchase agreements to dispose all the investment properties, details of which are disclosed in note 17(b).

During the period, additions to the Group's property, plant and equipment amounted to RMB76,858,000 (2007: RMB788,000).

9. LOAN RECEIVABLES

Loan receivables comprise margin clients accounts receivable of RMB2,378,000 (31 December 2007: RMB2,448,000).

The margin clients accounts receivable are secured by the underlying pledged securities, repayable on demand and bear interest at annual effective rates of 10% - 11% (2007: 10% to 11%). No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing.

10. TRADE AND OTHER RECEIVABLES

The Group has defined credit terms, ranging from 90 days to 180 days, which are agreed with each of its trade customers.

Included in trade and other receivables are trade receivables of RMB3,155,013,000 (31 December 2007: RMB2,424,333,000) and an aged analysis is presented as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
0 - 90 days	**3,134,872**	2,405,827
91 - 180 days	**3,028**	13,102
181 - 365 days	**16,993**	4,320
Over 365 days	**120**	1,084
	3,155,013	2,424,333

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB2,977,368,000 (31 December 2007: RMB1,862,498,000) and an aged analysis is presented as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
0 - 90 days	**2,854,809**	1,817,635
91 - 180 days	**74,653**	29,012
181 - 365 days	**45,501**	12,761
Over 365 days	**2,405**	3,090
	2,977,368	1,862,498

12. PROVISION FOR WARRANTY

	Six months 30 June 2008 *RMB'000*	Year ended 31 December 2007 *RMB'000*
At the beginning of the period/year	**64,279**	–
Acquisition of subsidiaries	**–**	59,178
Additional provision in the period/year	**38,212**	11,982
Utilisation of provision	**(36,899)**	(6,881)
At the end of the period/year	**65,592**	64,279

The warranty provision represents management's best estimate, with reference to prior experience and industry averages for defective products, of the Group's liabilities under its 2–year product warranty granted to its motor vehicles and accessories customers.

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of RMB151 million which are repayable within 12 months. The borrowings carry interest at market rates ranging from 2.5% to 7.5% and are repayable over a period of one to thirteen years. The proceeds were used to repay existing banking borrowings of RMB43 million and to finance the Group's daily operation.

14. SHARE CAPITAL

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Authorised:		
25,000,000,000 (2007: 25,000,000,000) ordinary shares of HK$0.004 each (2007: HK$0.004 each)	**100,000**	100,000
1,521,400,000 (2007: 1,521,400,000) convertible preference shares of HK$0.001 each (2007: HK$0.001 each)	**1,521**	1,521
	101,521	101,521
Issued and fully paid:		
917,288,049 (2007: 917,288,049) ordinary shares of HK$0.004 each (2007: HK$0.004 each)	**3,659**	3,659

A summary of the movements in the Company's authorised and issued capital is as follows:

	Authorised		**Issued and fully paid**	
	Number of shares *'000*	**Amount** *RMB'000*	**Number of shares** *'000*	**Amount** *RMB'000*
Ordinary shares				
At 1 January 2007	25,000,000	100,000	767,288	3,069
Conversion of warrants	–	–	150,000	590
At 31 December 2007 and 30 June 2008	25,000,000	100,000	917,288	3,659

15. SHARE-BASED PAYMENTS

The Company has adopted a share option scheme for eligible employees of the Group. On 2 January 2008, 15,320,000 shares options were granted and were subsequently accepted by the grantees. The share options were vested immediately on the date of acceptance. The fair value of the options was determined in accordance with a valuation performed by Vigers Appraisal & Consulting Limited, independent professional qualified valuers not connected with the Group using Binomial option pricing model. A share-based expense of RMB5,538,000 has been recognised in the condensed consolidated income statement, with a corresponding adjustment to the share options reserve.

The following assumptions were used to calculate the fair values of share options:

Grant date	2 January 2008
Share price	HK$2.07
Exercise price	HK$2.318
Expected life	1.2 to 1.4 years
Standard deviation	50%
Dividend yield	0%
Risk-free interest rate	1.769%

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

16. RELATED PARTY DISCLOSURES

(I) Related party transactions

Company	Transactions	For the six months ended 30 June 2008 RMB'000	2007 RMB'000
SAIC-GM-Wuling Automobile Co., Ltd ("SGMW") *(note i)* (上汽通用五菱汽車股份有限公司)	Sales of goods	**2,740,591**	–
	Purchases of materials	**806,993**	–
	Sales of raw materials	**15,514**	–
	Warranty expense paid	**29,091**	–
	Project income	**195**	–
Liuzhou Wuling Group *(note ii)*	License fee paid	**1,650**	–
	Rental expense	**14,076**	–
	Sales of raw materials	**17,671**	–
	Procurement services of water and power	**495**	
	Purchases of automotive components and other accessories	**11,537**	–

notes:

(i) Liuzhou Wuling holds 15.83% equity interest in SGMW.

(ii) Liuzhou Wuling Group represents Liuzhou Wuling and its affiliates other than the Group and SGMW.

(II) Related party balances

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade receivables		
– SGMW	**1,611,789**	1,863,844
– Liuzhou Wuling Group	**11,177**	12,711
Amount due to a shareholder/an associate		
– Liuzhou Wuling *(note ii)*	**1,103,671**	1,405,695
– 柳州五菱物流有限公司 *(note i & ii)*	**510**	8,296

Notes:

(i) 柳州五菱物流有限公司 is a 30% associate of the Group

(ii) Both balances are unsecured, non–interest bearing and repayable on demand.

(III) Guarantees provided

The Group's unsecured bank borrowings are supported by:

(i) A personal guarantee to the extent of RMB13,196,000 (or equivalent to HK$15,000,000) given by Mr. Lee Shing, a director of the Company.

(ii) Corporate guarantees to the extent of RMB630,000,000 given by Liuzhou Wuling.

(IV) Compensation of key management personnel

The remunerations of the members of key management of the Group in respect of the period are as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Short-term benefits	**2,254**	1,889
Post-employment benefits	**34**	86
Share-based payments	**2,935**	–
	5,223	1,975

17. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2008, the following significant events took place:

(a) On 2 July 2008, Wuling Industrial and Liuzhou Guangling Moulds and Tools Technology Limited ("Guangling"), a company established in the PRC in which Liuzhou Wuling has beneficial interest, entered into an agreement (the "GL Trading Agreement"). The GL Trading Agreement governs the sales of raw materials to and purchases of automotive components and related accessories from Guangling by Wuling Industrial and its subsidiaries (collectively referred to as the "Wuling Industrial Group") for the period up to 31 December 2010.

On 2 July 2008, Wuling Industrial and Guilin Bus Development Co., Limited ("Guilin Bus"), a company established in the PRC in which Liuzhou Wuling has beneficial interest, entered into an agreement (the "GB Trading Agreement"). The GB Trading Agreement governs the sales of parts and raw materials to and purchases of passenger mini-bus from Guilin Bus by the Wuling Industrial Group for the period up to 31 December 2008.

On 2 July 2008, Wuling Industrial agreed to provide corporate guarantee to the extent of RMB200,000,000 in respect of revolving banking facilities granted to Liuzhou Wuling (the "Undertaking Agreement").

Independent shareholders' approval of the GL Trading Agreement and the Undertaking Agreement was obtained by resolutions passed at a special general meeting held on 7 August 2008.

(b) In July 2008, the Group entered into sale and purchase agreements to dispose all of its investment properties and certain premises classified as property, plant and equipment, with considerations of RMB22,452,000 and RMB15,816,000, respectively.

OTHER INFORMATION

MESSAGES FROM THE BOARD OF DIRECTORS

We are pleased to present the unaudited results of Dragon Hill Wuling Automobile Holdings Limited for the six months ended 30 June 2008.

Being the listed flagship of Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), the Group experienced robust growth during the period under review. Subsequent to the setup of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") as a sino-foreign joint venture company controlled by the Company in August 2007, operating results of Wuling Industrial were consolidated into the Group's accounts commencing from 1 September 2007. The consolidation of Wuling Industrial has led to a significant change in the Group's business results as compared to prior years, in which the principal business activities of the Group have been changed to the following five main business segments:

– Engines and parts;

– Automotive components and accessories;

– Specialized vehicles;

– Procurement services of raw materials, water and energy supply; and

– Others.

During the first half of 2008, the Group recorded total revenue of RMB3,674,925,000. Net profits for the first half of 2008 amounted to RMB89,088,000, in which engines and parts, automotive components and accessories and the procurement services were the three main contributing segments. Profits attributable to equity holders for the respective reporting period was RMB8,406,000 which had accounted for the share-based payments of RMB5,538,000 in relation to the issue of share options to a number of employees and directors of the Group during the period.

Challenges

As mentioned in our 2007 annual report, the Board has envisaged the year of 2008 to be challenging.

In the first six months period in 2008, externally, our enterprises were facing the following challenges which affected the PRC economy on a macro basis:

– A weakening global economic situation led by the Subprime Mortgage Crisis in the United States which had started to affect the world economy since last year;

– Escalating fuel and raw materials prices which drove up production costs in the manufacturing sector;

– A negative wealth effect arising from the declines in the stock and property prices in the PRC;

– An inflationary pressure on the local economy which had led to the implementation of certain regulatory measures by the central government; and

– An unfavourable market sentiment due to the natural disasters in the PRC which inflicted damages upon people's lives and properties.

Internally, the business of our engines and parts division faced the challenge from the operation of the new engines plant of SAIC-GM-Wuling Automobile Co. Limited ("SGMW") in last year. Meanwhile, the automotive components and accessories division faced the challenges arising from the start-up operations of the new facilities and the tremendous pricing pressures of the raw materials in the first half of the year.

Despite these challenges, the Group continued to deliver a set of solid results in the first half of 2008 due to the continuous strong market demands for the products manufactured by the Group and the effective strategies implemented in co-operation with its customers.

Strategies

As mentioned in our 2007 annual report, the Board is full of confidence in the long term growth potential in the PRC and believes the existing challenges will eventually convert into business opportunities for enterprises with determined goals and effective strategies.

To cope with the challenges, the Group has implemented the following strategies and programmes:

– A specialization programme in our engines and parts division through the setup of the new production plant for the nonferrous metallic parts for the engine's cylinder, which not only serves as an vertical integration process for our existing products, but can also extend to supply to the engine products manufactured by our customers, including SGMW;

– A business expansion programme aiming at other car manufacturers in the PRC to develop a healthy diversification of businesses of our (1) engines and parts and (2) automotive components and accessories division;

– A capacity expansion programme in our automotive components and accessories division through the setup of the new integrated plant for car axle and brake systems and the new Tsingtao factory with the objectives to enhance productivity and to increase capacity to cope with the increasing demands coming from existing and new customers;

– An active marketing programme in our specialized vehicles division through the launch of various new models of specialized vehicles aiming at improving the overall profitability of the Group; and

– An effective cost control programme under the supervision of Wuling Industrial with the objective to contain cost of production which allows the Group together with its customers to stay highly competitive and to maintain the leading position in the market.

Outlook

The Board views the current economic turmoil an inevitable part of an economic cycle. However, the Board is confident that these cyclical headwinds will gradually be overcome with the strong engines of growth in the PRC. In addition, our hardheadedness with a specific business focus on the economical-typed mini-vehicles also places us in a better position in this difficult situation.

The Board also believes the robust economic growth driven by the export-oriented businesses in the PRC has reached a peak. Going forward, driving forces for the next stage of development will come from the internal demands on the back of the rising affluence in the society. Our enterprises which emphasize serving the accelerating demands of the general public in the PRC will definitely be benefited from this particular stage of development.

With the continuous supports from Liuzhou Wuling, our substantial shareholder, and our customers, we firmly believe the business prospect of the Group is promising and will bring rewards to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review – By Key Business Segments

The business performance and evaluation of the Group's four main business segments namely (1) engines and parts; (2) automotive components and accessories; (3) specialized vehicles; and (4) procurement services of raw materials, water and energy supply for the first half of 2008 are detailed below:

Engines and Parts – Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji")

Turnover (based on external sales) of the engines and parts division for the six months ended 30 June 2008 was RMB1,488,777,000 with a segmental share of 41%. Operating profits for the respective period was RMB66,077,000 with a segmental share of 51%.

The engines and parts division undertaken by Wuling Liuji continued to be the major contributor to the Group's operating profits for the first half of 2008.

During this six months period, Wuling Liuji continued to deliver a set of solid results to the Group despite the significant increase in the raw material prices and a slower growth in revenue. The satisfactory results achieved by Wuling Liuji were mainly attributable to the continuous strong market demands for the main models.

The Group anticipates the general slowdown in the global economy and the price adjustments happened in the stock and property markets will have a cooling effect on the local economy. However, the Group is not expecting significant adverse impacts due to these factors as the products of Wuling Liuji are mainly supplying for the economical-typed vehicles, for which demand is driven by the basic needs of the general public. On the contrary, it is expected this cooling effect can help to ease the increasing prices of raw materials and will benefit the margin performances of this division in the second half of this year.

Whilst the Group admits the start up operation of the new engines plant of SGMW, in last year will be an important challenge to our engines and parts division, the related specialization processes driven by this development will create new opportunities to the Group. To cope with this challenge, internally, our engines and parts division has established a new production plant for the nonferrous metallic parts for the engine's cylinder. This new engines' components plant which is expected to be completed in the second half of this year is not only targeted at our own products, but can also extend to serve the products' needs of our customers, including SGMW. Overall, the Group is confident in dealing with this challenge in a mutual beneficial manner with SGMW due to the strategic shareholding relationship of Liuzhou Wuling, our substantial shareholder, in SGMW.

Meanwhile, Wuling Liuji is also actively in liaison with several prominent car manufacturers in the PRC to explore new business opportunities. This strategic move, which aims at a healthy diversification of businesses, will further the long term business potential of the engines and parts division.

Automotive Components and Accessories – Liuzhou Wuling Motors United Development Company Limited ("Wuling United")

Turnover (based on external sales) of the automotive components and accessories division for the six months ended 30 June 2008 was RMB1,652,781,000 with a segmental share of 45%. Operating profits for the respective period was RMB18,120,000 with a segmental share of 14%.

The automotive components and accessories division undertaken by Wuling United experienced a strong growth in revenue in the first half of 2008 and developed to become the largest contributor to the total revenue of the Group.

During this six months period, Wuling United, being the key supplier supplying a majority portion of the key automotive components to SGMW, registered a record revenue figure. This remarkable result was mainly attributable to the continuous strong market demands for the vehicles produced by SGMW. Profitability performance was, on the other hand, adversely affected by the increasing fuel and raw materials costs during the period. Besides, positive contribution from the new facilities which were in their start-up stage in the first half of the year were also not yet reflected in this set of results.

The Group expects the growth of business of SGMW from the existing models and the launch of new models will continue to boost the revenue of the automotive components and accessories division. At the same time, a notable change in the pricing mechanism with the customers, in which an increase in the selling prices of the automotive components supplied to the customers are expected in the second half of the year, will benefit the profitability of the division. Coupled with an easing pressure on the material costs and the positive impact arising from the gradual stepped up operations of the new integrated plant for car axle and brake systems and the new Tsingtao factory in the second half of this year, the Group is confident in achieving an improving profitability in this division as compared last year.

Specialized Vehicles – Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles")

Turnover (based on external sales) of the specialized vehicles division for the six months ended 30 June 2008 was RMB261,150,000 with a segmental share of 7%. Operating profits for the respective period was RMB6,222,000 with a segmental share of 5%.

Successful launch of new models began to benefit the operation of our specialized vehicles division undertaken by Wuling Specialized Vehicles.

Wuling Specialized Vehicles sold approximately nine thousand specialized vehicles in the first half of 2008 which comprised sight-seeing buses, redecorated vans and lorries. Increasing sales of the recreational-typed vehicles such as the sight-seeing buses benefited the margin performance of this business segment.

The Group views the market growth of the recreational-typed vehicles is only undergoing an initial stage in the PRC and anticipates further growth in revenue in the second half of the year. This particular type of vehicles, which the Group has the specific knowhow and strength in the industry, will be the main driver of growth for the specialized vehicles division. It is also expected that the higher profit margins and the greater potential for the exporting businesses will eventually contribute significantly to the profitability of the Group in future.

Procurement Services for Raw Materials, Water and Energy Supply – Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial")

Turnover (based on external sales) of the procurement services division for the six months ended 30 June 2008 was RMB270,889,000 with a segmental share of 7%. Inter-segment sales which were primarily contributed from the sales to Wuling United was RMB986,939,000. Operating profits for the respective period was RMB38,893,000 with a segmental share of 30%.

The procurement services undertaken by Wuling Industrial provided a steady income stream to the Group and recorded an increasing segmental share in the Group's operating profits.

Apart from the inter-segment sales, revenue from these procurement services was mainly generated from SGMW and its suppliers, which relied on Wuling Industrial to provide the necessary factors of production such as the raw materials, water and energy supply through a centralized procurement platform. This centralized procurement model guaranteed benefits from bulk purchases and scale operations to the participated entities and ensured their competitiveness in the industry.

The Group considers the procurement functions of Wuling Industrial to be an effective operation measure which is conducive to the business growth of SGMW, which in turn, allows the Group to enjoy a steady income stream and a guaranteed operating profit from the investments in the infrastructural projects in Liuzhou. In view of the increasing volume of production of SGMW due to the strong market demands for their products, the Group is confident that the effective cost savings contribution from the procurement services division will continue to bring about positive impact on the Group's profitability in the second half of this year.

Financial Review

Income Statement

In consequence of the formal setup of Wuling Industrial as a sino-foreign joint venture company controlled by the Company, operating results of Wuling Industrial was consolidated into the Group's accounts commencing from 1 September 2007, in which the respective profits attributable to the equity holders were calculated based on the percentage of the total paid up capital of Wuling Industrial contributed by the Company, which accounted for approximately 17.2% of the operating results of Wuling Industrial for the respective period.

The consolidation of the operating results of Wuling Industrial had led to a significant change in the Group's principal business activities as compared to prior years. Due to this reason, newly-defined business segments were adopted for the segment analyses and the Reminbi ("RMB") was used as the presentation currency in the Company's financial statements.

Group's turnover and net profits for the six months ended 30 June 2008 were RMB3,674,925,000 and RMB89,088,000 respectively which were mainly attributable to the four new business segments namely (1) engines and parts; (2) automotive components and accessories; (3) specialized vehicles; and (4) procurement services of raw materials, water and energy supply. Profits attributable to equity holders for the respective reporting period was RMB8,406,000 which had accounted for the share-based payments of RMB5,538,000 in relation to the issue of share options to a number of employees and directors of the Group during the period. Profits contributed from the operating results of Wuling Industrial amounting to approximately RMB15,600,000 were also recorded in accordance with the basis as abovementioned.

Gross margin of the Group was 9.1%, reflecting the keen competition environment in the automobile industry in the PRC. Despite an easing pricing pressure from the customers, increasing costs from the escalating fuel and raw materials costs in the first half of the year had kept the gross margin in a highly competitive level.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB61,807,000 for the six months ended 30 June 2008. The increase was a result of the consolidation of Wuling Industrial as aforementioned.

In addition, the Group also recorded an appreciation in the value of the investment properties amounting to RMB4,003,000 for the six months ended 30 June 2008.

Selling, distribution and warranty expenses of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses was in aggregate RMB88,691,000 for the six months ended 30 June 2008. The increase was a result of the consolidation of Wuling Industrial as aforementioned.

Administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses was in aggregate RMB158,128,000 for the six months ended 30 June 2008. Again, it reflected the consolidated results of Wuling Industrial. In addition, the share-based payments in relation to the issue of 15,320,000 share options to a number of employees and directors of the Group which amounted to RMB5,538,000 was also recorded in the administrative expenses of this first half results.

Finance costs for the six months ended 30 June 2008 amounted to RMB16,753,000. The increase was attributable to the inclusion of the interest expenses incurred by the members companies of the Wuling Industrial Group for their daily operations as well as the new bank loans drawn down by the Group for the first tranche capital injection to Wuling Industrial.

Earnings per share for the six months ended 30 June 2008 was RMB0.92 cent, represented an increase of 3 times as compared last year's first half results.

Assets and Liabilities

As at 30 June 2008, the total assets and liabilities of the Group stood at RMB5,253,339,000 and RMB4,591,971,000 respectively.

Non-current assets amounted to RMB586,762,000 which comprised mainly property, plant and equipment.

Current assets amounted to RMB4,666,577,000 comprised mainly inventory, trade and other receivables and cash and cash equivalents. Total cash and bank balances amounted to RMB813,760,000, in which RMB153,644,000 were pledged bank deposits to secure the banking facilities offered to the Group.

Current liabilities amounted to RMB4,559,713,000 comprised mainly trade and other payables and amount due to a shareholder, Liuzhou Wuling Motors Company Limited, which is also the joint venture partner of Wuling Industrial.

Net current assets increased to RMB106,864,000 as at 30 June 2008 from RMB83,638,000 as at 31 December 2007.

Non-current liabilities amounted to RMB32,258,000 comprised mainly bank borrowings.

Liquidity and Capital Structure

The Group was operating under a net cash inflow position for the six months ended 30 June 2008, in which net cash from operating activities amounted to RMB209,337,000.

As at 30 June 2008, the Group maintained cash and cash equivalents of RMB660,116,000, which was slightly increased as compared to previous reporting period.

Group's bank borrowings increased to RMB227,798,000 as at 30 June 2008 from RMB122,509,000 as at 31 December 2007 as a result of the additional borrowings drawn down for the operation of the Wuling Industrial Group.

Overall, the Group had cash net of bank borrowings amounting to RMB432,318,000 as at 30 June 2008.

As at 30 June 2008, the Group had a gearing ratio of 34.5% calculated based on the Group's total bank borrowings and the Group's net assets.

Issued capital was RMB3,659,000 as at 30 June 2008 which was the same as the amount recorded on 31 December 2007.

Total shareholders' equity comprised primarily the share premium account, contributed surplus and after deducting the accumulated losses, increased to RMB127,886,000 as at 30 June 2008 compared to RMB108,576,000 as at 31 December 2007. Net asset value per share also rose by approximately 17.8% to RMB13.9 cents as at 30 June 2008 from RMB11.8 cents as at 31 December 2007.

Pledge of Assets

As at 30 June 2008, the office premises and the investment properties held by the Group with an aggregate value of RMB30,994,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB153,644,000 were pledged to the banks to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

Exposure to Fluctuation in Exchange Rates

In consequence of the consolidation of the financial statements of Wuling Industrial to the Group, which assets, liabilities and transactions were primarily denominated in RMB, the presentation currency in the Company's financial statements has been changed to RMB.

As at 30 June 2008, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB47,798,000, Hong Kong dollar bank deposits of an aggregate amount of RMB6,111,000, foreign currency and Hong Kong dollar loan and trade receivable of RMB6,060,000 and Hong Kong dollar trade payable of RMB12,545,000. In comparison with the relative size of the Group's assets, liabilities and main transactions which are denominated in RMB, the Group regarded its exposure to fluctuations in exchange rates and currencies to be minimal.

Commitments

As at 30 June 2008, the Group has outstanding commitments, contracted but not provided for in the financial statements, in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB107,894,000.

Remuneration of Employees

At 30 June 2008, the Group had approximately 5,100 employees, including directors. Total staff costs for the six months ended 30 June 2008 were approximately RMB149,713,000. The remuneration policy was reviewed in line with the current applicable legislation, market conditions as well as the performance of the Company and the individual.

Supplementary Notes on the Sino-foreign Joint Venture Enterprise with Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling")

On 15 May 2007, the Company entered into the following agreements with Liuzhou Wuling in relation to the proposed formation of a sino-foreign joint venture enterprise for the development of the manufacturing and trading businesses of automotive engines, components and specialized vehicles in the People's Republic of China ("PRC"):

a) an agreement in relation to the increase in the registered capital of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") and the subscription of 51% of the enlarged registered capital of Wuling Industrial by the Company at the total amount of RMB391,000,000 ("Subscription Money"); and

b) a joint venture agreement in relation to the establishment of Wuling Industrial as a sino-foreign joint venture enterprise in the PRC.

According to the aforementioned agreements, the Subscription Money shall be payable by the Company in cash in two stages as follows:

i) 20% of the Subscription Money which amounts to RMB78,200,000 will be payable within 30 days from the set up date of Wuling Industrial as a sino-foreign joint venture enterprise ("First Subscription Money"); and

ii) the remaining 80% of the Subscription Money which amounts to RMB312,800,000 will be payable within 2 years from the set up date of Wuling Industrial as a sino-foreign joint venture enterprise.

Details of the proposed formation of the sino-foreign joint venture with Wuling have been fully stated in the Company's circular dated 25 June 2007.

The proposed investment in Wuling Industrial, which constituted a very substantial acquisition and a connected transaction for the Company under the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, was approved by the independent shareholders in the special general meeting of the Company held on 12 July 2007. On 28 August 2007, the Company further announced that the sino-foreign joint venture enterprise had been formally set up. On 31 August 2007, the Company remitted the First Subscription Money to the designated bank account of Wuling Industrial in accordance with the aforementioned agreements, representing approximately 17.2% of the current total paid up capital of Wuling Industrial.

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 six months ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") sets out the principles of good corporate governance and the code provisions as set out in the CG Code and complied with most of the code provisions save for certain deviation from the code provisions in respect of A.2.1.

Code provision A.2.1 stipulates that the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The present Chairman of the Company, Mr. Lee Shing also acts as the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person do not impair the balance of power and authority between the Board and the management of the Company.

COMPLIANCE WITH MODEL 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 for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive directors, namely Mr Cheng Kin Wah Thomas (the Chairman), Mr Yu Xiumin and Mr Zuo Duofu, is established in accordance with the requirements of the CG Code, for the purpose of reviewing and providing, inter alia, supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee are disclosed on the website of the Company.

At the request of the Audit Committee, the Company's auditors, Deloitte Touche Tohmatsu had carried out a review of the unaudited interim financial report for the six months ended 30 June 2008 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The independent review report from the auditors is set out in the interim report. The unaudited interim financial report for the six months ended 30 June 2008 have also been reviewed by The Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee, comprising the three independent non-executive directors, namely Mr Zuo Duofu (the Chairman), Mr Yu Xiumin and Mr Cheng Kin Wah Thomas, is established for the purpose of making recommendations on and approving the remuneration policy and structure and remuneration packages of executive directors and the senior management. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF HKEX AND THE COMPANY

The results announcement, as required, has been published on the website of Hong Kong Exchange and Clearing Limited ("HKEX") at www.hkexnews.hk and the Company at www.dhwuling.com.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr Lee Shing (Chairman and Chief Executive Officer), Mr He Shiji (Vice Chairman), Mr Sun Shaoli, Mr Wei Hongwen, Ms Liu Yaling, Mr Wang Shaohua and Mr Pei Qingrong as executive directors and Mr Yu Xiumin, Mr Zuo Duofu and Mr Cheng Kin Wah Thomas as independent non–executive directors.

On behalf of the Board
Lee Shing
Chairman and Chief Executive Officer

Hong Kong, 19 September 2008