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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS

The Board of Directors (the "Board") of Dragon Hill Wuling Automobile Holdings Limited (the "Company") announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	NOTES	**2008** *RMB'000*	2007 *RMB'000*
Revenue	*4*	**7,111,911**	2,856,456
Cost of sales		**(6,339,666)**	(2,591,934)
Gross profit		**772,245**	264,522
Other income	*4*	**85,057**	36,488
Distribution costs		**(187,163)**	(51,736)
General and administrative expenses		**(463,066)**	(149,187)
Net (loss) gain on held-for-trading investments		**(245)**	8,982
Share of results of an associate		**802**	220
Increase in fair value on investment properties		**2,153**	5,152
Finance costs	*5*	**(45,014)**	(17,221)
Profit before tax	*6*	**164,769**	97,220
Income tax expense	*7*	**(27,882)**	(22,602)
Profit for the year		**136,887**	74,618
Attributable to:			
Equity holders of the Company		**32,647**	11,147
Minority interests		**104,240**	63,471
		136,887	74,618
Dividends	*8*	**–**	–
Earnings per share	*9*		
Basic		**RMB3.56 cents**	RMB1.26 cents
Diluted		**N/A**	RMB1.23 cents

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

	NOTES	**31 December 2008** ***RMB'000***	31 December 2007 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**570,065**	444,445
Prepaid lease payments		**13,912**	2,022
Premium on prepaid lease payments		**1,047**	1,072
Investment properties		**6,172**	19,737
Intangible assets		**928**	928
Interest in an associate		**3,304**	2,502
Available-for-sale investments		**495**	498
Deposits for trading rights		**180**	192
Deposits for acquisition of property, plant and equipment		**51,170**	59,094
		647,273	530,490
CURRENT ASSETS			
Inventories	*10*	**600,273**	432,603
Loans receivable	*11*	**68**	2,448
Trade and other receivables	*12*	**2,861,209**	2,551,519
Bills receivables discounted with recourse	*12*	**342,008**	35,199
Prepaid lease payments		**201**	49
Held-for-trading investments		**3**	1,038
Client trust bank accounts		**2,350**	5,987
Pledged bank deposits		**624,601**	302,034
Bank balances and cash		**596,066**	601,617
		5,026,779	3,932,494
CURRENT LIABILITIES			
Trade and other payables	*13*	**3,279,598**	2,212,874
Advances drawn on bills receivables discounted with recourse		**342,008**	35,199
Amount due to a shareholder		**989,580**	1,405,695
Amount due to an associate		**20,467**	8,296
Provision for warranty	*14*	**83,226**	64,279
Tax payable		**31,787**	67,420
Bank borrowings – due within one year		**197,028**	54,806
Obligations under finance leases – due within one year		**270**	287
		4,943,964	3,848,856
NET CURRENT ASSETS		**82,815**	83,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**730,088**	614,128

	NOTES	31 December 2008 RMB'000	31 December 2007 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**20,288**	32,504
Obligations under finance leases – due after one year		**412**	725
Deferred tax liabilities		**2,158**	210
		22,858	33,439
		707,230	580,689
CAPITAL AND RESERVES			
Share capital	*15*	**3,659**	3,659
Reserves		**143,085**	104,917
Equity attributable to equity holders		**146,744**	108,576
Minority interests		**560,486**	472,113
		707,230	580,689

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair value.

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

The Group's principal operations are conducted in the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Renminbi dollars ("RMB"), which is also the functional currency of the Company.

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("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 the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

	Engines and parts	Automotive components and accessories	Specialized vehicles	Trading of raw materials, water and power supply services	Others	Elimination	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2008							
Turnover							
External sales	2,678,898	3,143,504	615,919	671,288	2,302	–	7,111,911
Inter-segment sales	365,015	49,495	173,184	2,232,155	–	(2,819,849)	–
Total	3,043,913	3,192,999	789,103	2,903,443	2,302	(2,819,849)	7,111,911
Segment results	131,959	46,290	14,113	54,127	(5,798)		240,691
Unallocated income							13,245
Unallocated expense							(44,955)
Share of results of an associate							802
Finance costs							(45,014)
Profit before tax							164,769
Income tax expense							(27,882)
Profit for the year							136,887
Other information							
Capital additions	30,003	135,252	666	21,616	531		188,068
Depreciation of property, plant and equipment	21,344	22,669	3,004	6,741	4,551		58,309
Amortisation of prepaid lease payments	–	226	–	–	–		226
Impairment of trade receivables	1,305	840	1,075	–	13		3,233
Loss (gain) on disposal of property, plant and equipment	(937)	288	–	(104)	188		(565)
Write-down for inventories	16,104	–	–	–	–		16,104

	Engines and parts *RMB'000*	Automotive components and accessories *RMB'000*	Specialized vehicles *RMB'000*	Trading of raw materials, water and power supply services *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
At 31 December 2008							
Balance sheet							
Assets							
Segment assets	1,472,501	2,209,577	323,172	396,459	48,372		4,450,081
Interest in an associate							3,304
Unallocated assets							1,220,667
Consolidated assets							5,674,052
Liabilities							
Segment liabilities	1,091,201	1,347,475	140,894	1,135,075	11,336		3,725,981
Unallocated liabilities							1,240,841
Consolidated liabilities							4,966,822
For the year ended 31 December 2007							
Turnover							
External sales	1,101,192	938,127	287,848	524,385	4,904	–	2,856,456
Inter-segment sales	–	123	–	504,580	–	(504,703)	–
Total	1,101,192	938,250	287,848	1,028,965	4,904	(504,703)	2,856,456
Segment results	77,143	12,111	2,548	17,189	(1,879)		107,112
Unallocated income							20,315
Unallocated expense							(13,206)
Share of results of an associate							220
Finance costs							(17,221)
Profit before tax							97,220
Income tax expense							(22,602)
Profit for the year							74,618
Other information							
Capital additions	208,399	196,046	22,292	28,975	4,013		459,725
Depreciation of property, plant and equipment	12,166	5,455	984	494	1,055		20,154
Amortisation of prepaid lease payments	–	16	–	–	–		16
Impairment of trade receivables	811	142	185	–	36		1,174
Loss on disposal of property, plant and equipment	696	(32)	–	137	31		832
Write-down for inventories	8,787	–	–	–	–		8,787
At 31 December 2007							
Balance sheet							
Assets							
Segment assets	1,323,531	1,699,860	180,542	292,133	62,264		3,558,330
Interest in an associate							2,502
Unallocated assets							902,152
Consolidated assets							4,462,984
Liabilities							
Segment liabilities	926,123	872,225	32,040	451,332	39,940		2,321,660
Unallocated liabilities							1,560,635
Consolidated liabilities							3,882,295

(b) Geographical segments

No geographical segment information is presented as over 90% of the Group's sales and operating profits are derived within the PRC (excluding Hong Kong) and over 90% operating assets of the Group are located in the PRC (excluding Hong Kong), which is considered as one geographic location with similar risks and return.

4. REVENUE AND OTHER INCOME

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

	2008	2007
	RMB'000	*RMB'000*
Sales of goods	**7,109,609**	2,851,552
Commission and interest income from securities dealing and margin finance	**1,561**	4,054
Gross property rental income	**741**	850
	7,111,911	2,856,456
Other income	**85,057**	36,488
	7,196,968	2,892,944

Details of other income are as follows:

	2008	2007
	RMB'000	*RMB'000*
Sales of scrap materials and parts	**55,965**	19,567
Bank interest income	**13,249**	12,604
Service income on repairs and maintenance	**10,847**	–
Foreign exchange gains, net	**819**	–
Machinery rental income	**505**	597
Dividend income from held-for-trading investments	**16**	120
Dividend income from available-for-sale investments	**–**	11
Recovery of bad debts	**–**	748
Others	**3,656**	2,841
	85,057	36,488

5. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interests on:		
– borrowings wholly repayable within five years	**3,170**	894
– borrowings not wholly repayable within five years	**866**	1,167
– bills receivable discounted	**40,927**	15,157
– obligations under finance leases	**51**	3
	45,014	17,221

6. PROFIT BEFORE TAX

	2008	2007
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**4,342**	2,234
Other staff costs	**311,447**	80,524
Retirement benefit scheme contributions, excluding directors	**52,285**	16,292
Share-based payments	**4,814**	–
Total staff costs	**372,888**	99,050
Gross property rental income	**741**	850
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**(79)**	(62)
Net rental income	**662**	788
Write-down for inventories (included in cost of sales)	**16,104**	8,787
Auditor's remuneration	**2,676**	1,951
Cost of inventories recognized as an expense	**6,140,883**	2,583,147
Depreciation of property, plant and equipment	**58,309**	20,154
Impairment of trade receivables	**3,233**	1,174
(Gain) loss on disposal of property, plant and equipment	**(565)**	832
Amortisation of prepaid lease payments (included in general and administrative expenses)	**226**	16
Research and development expenses (included in general and administrative expenses)	**40,259**	48,548

7. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax		
Current	**34,602**	22,401
Overprovision in prior years	**(8,677)**	–
Deferred tax		
Current year	**1,964**	201
Attributable to a change in tax rate	**(7)**	–
	27,882	22,602

Hong Kong

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

The PRC

For the year ended 31 December 2007, 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 were entitled to a preferential income tax rate of 15% because (i) they were located in the western region of the PRC; (ii) their main business fell into the National Key Encouraged Industry and Technology Catalogue; and (iii) their sale revenue generated from their main business totaled more than 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 which, all the major operating subsidiaries of the Group in the PRC, other than Wuling Industrial, will continue to enjoy the preferential tax rate at 15% until 2010, while Wuling Industrial will be subject to tax rate at 25% since 1 January 2008.

The New Law also requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. Deferred tax of RMB2,133,000 has been provided in full in respect of the undistributed earnings of the Group's PRC subsidiaries and recognized in the consolidated financial statements in respect of the temporary differences attributable to such profits.

8. DIVIDENDS

No interim divided was declared or paid during the year. The directors do not recommend the payment of a final divided.

9. 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:

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**32,647**	11,147
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**917,288**	887,288
Effect of dilutive potential ordinary shares:		
Warrants	**–**	21,123
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**917,288**	908,411

No dilutive earnings per share has been presented for the year ended 31 December 2008 because the exercise price of the Company's options was higher than the average market price of the Company's shares for the year.

10. INVENTORIES

	2008	2007
	RMB'000	*RMB'000*
Raw materials	**251,371**	206,821
Work in progress	**122,809**	47,086
Finished goods	**226,093**	178,696
	600,273	432,603

11. LOANS RECEIVABLE

Loans receivable comprise margin clients accounts receivable of RMB68,000 (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% to 11% (2007: 10% – 11%) per annum. 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.

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

(i) Trade and other receivables

	2008	2007
	RMB'000	*RMB'000*
Trade and bills receivables		
– related party *(note a)*	**2,062,678**	1,863,844
– Liuzhou Wuling Group *(note b)*	**8,437**	12,711
– third parties	**629,328**	518,783
	2,700,443	2,395,338
Less: Allowance for doubtful debts	**(8,647)**	(6,204)
	2,691,796	2,389,134
Other receivables:		
Prepayments	**81,125**	67,205
Deposits paid	**33,284**	32,741
Value-added tax receivables	**3,962**	10,690
Others	**51,042**	51,749
	169,413	162,385
	2,861,209	2,551,519

Notes:

(a) The related party is SAIC-GM-Wuling Automobile Co. Limited ("SGMW") in which Liuzhou Wuling, a substantial shareholder of the Company, holds a 15% equity interest.

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

The aged analysis of the Group's trade receivables as at the balance sheet date is as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 90 days	**2,676,893**	2,370,628
91 – 180 days	**14,474**	13,102
181 – 365 days	**117**	4,320
Over 365 days	**312**	1,084
	2,691,796	2,389,134

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days. The Group retains all the risks and rewards of such discounted bills receivables and accordingly, the Group continues to recognize the full amount as secured discounted bills.

13. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	2008	2007
	RMB'000	*RMB'000*
Trade and bills payables:		
– third parties	**2,992,433**	1,862,498
Trade and bills payables:		
0 – 90 days	**2,965,190**	1,817,635
91 – 180 days	**8,125**	29,012
181 – 365 days	**15,075**	12,761
Over 365 days	**4,043**	3,090
	2,992,433	1,862,498
Other payables and accruals	**287,165**	350,376
	3,279,598	2,212,874

14. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2007	–
Acquisition of subsidiaries	59,178
Additional provision in the year	11,982
Utilization of provision	(6,881)
At 31 December 2007	64,279
Additional provision in the year	84,123
Utilization of provision	(65,176)
At 31 December 2008	83,226

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 specialized vehicles, automotive components and engines customers.

15. SHARE CAPITAL

	2008	2007
	RMB'000	*RMB'000*
Authorized:		
25,000,000,000 ordinary shares of HK$0.004 each	**100,000**	100,000
1,521,400,000 convertible preference shares of HK$0.001 each	**1,521**	1,521
	101,521	101,521
Issued and fully paid:		
917,288,049 ordinary shares of HK$0.004 each	**3,659**	3,659

16. POST BALANCE SHEET EVENT

On 12 January 2009, the Company issued convertible notes with an aggregate principal amount of HK$100,000,000, equivalent to approximately RMB88,000,000, to Wuling (Hong Kong) Holdings Limited, a substantial shareholder of the Company.

The convertible notes are denominated in HKD and have a nominal interest rate of 6% per annum. The conversion price of the convertible notes is HK$0.74 per ordinary share and the maturity date is due on 11 January 2014.

The convertible notes entitle the holder to convert, in whole or in part, the principal amount into ordinary shares of the Company on any business days commencing from 12 January 2010 upto the fifth business days prior to the maturity date. If the convertible notes have not been converted, it will be redeemed on maturity date at par.

The Company is in the process of making an assessment of the financial effect of the above issue of convertible notes, but is not yet in a position to conclude on this.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review and Outlook – By Business Segments

The business performance and evaluation of the four main business segments namely (1) engines and parts; (2) automotive components and accessories; (3) specialized vehicles; and (4) trading of raw materials, water and power supply services for the year ended 31 December 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 year ended 31 December 2008 was RMB2,678,898,000 with a segmental share of 38%. Operating profits for the year was RMB131,959,000 with a segmental share of 53%.

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

During the year, despite the significant increase in the raw material prices in the first half of the year, Wuling Liuji celebrated its 80th anniversary with a set of solid results which was mainly attributable to the continuous strong market demands for the main models.

The engines produced by Wuling Liuji are mainly for the commercial-type mini-vehicles. Its main stream products have qualified the National Emission Standard as required by the country. In addition, its LJ trademark series has also been recognized as a reputable trademark in the Guangxi Province during the year. Subsequent to the completion of the development project for the model LJ465QR in co-operation with an overseas research institute, Wuling Liuji has successfully extended its range of products with capacity from 0.65L to 2.4L. Sales for the year 2008 continued to grow steadily. Total sale volume was approximately 540,000 units. Total capacity at present is approximately 800,000 units a year.

Wuling Liuji continued to be the No. 1 engines producer in the PRC for the mini-vehicles market. By end of 2008, primarily through supplying to the models of SGMW, the number of users of Wuling Liuji's engines in the PRC has reached approximately 2.5 million, who have been properly serviced and supported by approximately 280 after sale service centers across 8 main regions in China.

The factories of Wuling Liuji currently occupy a total floor area of nearly 1 million sq.m., with a total workforce of approximately 1,600 as at the end of 2008, in which over 300 are technical and management staff.

Going forward, the Group anticipates the general slowdown in the global economy and the price adjustments to the stock and property markets will continue to 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 those vehicles, which demands are driven by the basic needs of the general public. On the contrary, it is expected this cooling effect will help to reduce the cost of production and benefit the margin performances of this division. In addition, the economic stimulus policies implemented in dealing with the global financial crisis will also provide positive effects on the business growth of the division.

During the year, Wuling Liuji established a new production plant for the nonferrous metallic parts of the engine's cylinder with an annual capacity of approximately 200,000 units a year. This new engines' components plant which started operation by end of 2008 will enhance the division's profitability by producing outsourced components in house. Besides, it can also be extended to serve the needs of our customers, including SGMW, and create future business opportunities to the Group.

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 Limited ("Wuling United")

Turnover (based on external sales) of the automotive components and accessories division for the year ended 31 December 2008 was RMB3,143,504,000 with a segmental share of 44%. Operating profits for the year was RMB46,290,000 with a segmental share of 19%.

The automotive components and accessories division undertaken by Wuling United maintained a strong growth in revenue during the year.

During the year, 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 of the vehicles produced by SGMW. Meanwhile, benefited from the lower material costs and certain price adjustments in the second half of the year, profitability performance had been improved. Operating margin was moderately increased to 1.5% for the whole year as compared to 1.1% recorded in the first half of the year.

Wuling United operates six specialized facilities which cover the brake, the chassis assembly, automotive accessories, plastic components, welding parts and the seat sets. Apart from the main facilities in Liuzhou, the Qingdao factory was recently set up and began to supply automotive components to the customers in the northern part of the China. Wuling United supplies a wide range of products which comprises eighteen main modules with hundreds of standard type of products including the main assembly parts of the chassis such as the front suspension, the rear brake swing arm and the brake system, the plastic injection molded parts, other metal stamping and welded parts, seat sets and other automotive accessories, etc. Annual production for the year 2008 was approximately 600,000 units/sets, representing an increase of over 15% as compared to last year. Total capacity at present has reached 800,000 units/sets a year.

With its long and established industry experiences, Wuling United is particularly strong in product design and development. Their capability in supplying a wide range of products provides a one-stop shop services to the customers, whereas, the scalability of its production facilities ensures the particular needs of our key customer can be properly taken care of.

The factories of Wuling United currently occupy a total floor area of approximately 280,000 sq.m., with a total workforce of 2,400 as at the end of 2008, in which about 600 are technical and management staff.

Going forward, 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, an easing pressure on the material costs since the second half of 2008 will contribute positively to the margin performance of this business segment. In addition, same as the engines and parts division, the economic stimulus policies implemented in dealing with the global financial crisis is also anticipated to provide positive effects on the business growth of the division.

Coupled with the positive impact arising from the stepped up operations of the new integrated plant for car axle and brake systems and the new Qingdao factory in the second half of 2008, the Group is confident on further improvement in the profitability of this division in the coming years.

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

Turnover (based on external sales) of the specialized vehicles division for the year ended 31 December 2008 was RMB615,919,000 with a segmental share of 9%. Operating profits for the year was RMB14,113,000 with a segmental share of 6%.

During the year, successful launch of new models specialized vehicles including the proprietary T1 mini fire engine, V2 Wuling public van, C1 electrical community car, EP electrical truck, etc., began to benefit the operation of our specialized vehicles division undertaken by Wuling Specialized Vehicles.

Wuling Specialized Vehicles operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. Wuling Specialized Vehicles produces more than a hundred different types of specially-designed vehicles which serves the particular needs of customers, such as multi-purpose mini-van, sightseeing bus, golf cart, police car, mini fire engine, postal van, ambulance, mini-container wagon, refrigerator vehicle, heat preservation vehicle and garbage truck etc.. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Total capacity at present is about 25,000 vehicles a year.

The capability of Wuling Specialized Vehicles in the car assembly industry is originated from the long-standing industry experiences of Wuling. In fact, the models designed and developed by Wuling Specialized Vehicles are branded as "Wuling", which is itself a benchmark of quality products and services in the market.

With the continuous support from other fellow subsidiaries, Wuling Specialized Vehicles can provide a state of the art solution for the specially-designed vehicles market in the PRC. In addition, the strong after-sale-services support further enhances its competitiveness and its distinctive market position.

The factories of Wuling Specialized Vehicles occupy a total floor area of approximately 35,000 sq.m., with a total workforce of approximately 300 as at the end of 2008, in which about 80 are technical and management staff.

Wuling Specialized Vehicles sold more than 20,000 specialized vehicles during the year representing an increase of more than 20% as compared to last year. Its main products comprised multi-purpose mini-van, redecorated vans and mini-container wagons, etc.. Increasing sales of the multi-purpose mini-van such as the model “V2” mini-vans had benefited the revenue performance of this division. Besides being used for recreation purpose, the “V2” model has also be used in some cities as a public transport vehicle.

The Group views the market growth of the multi-purpose mini-van is only undergoing an initial stage in the PRC and anticipates further growth in revenue in the coming years. 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.

Trading of Raw Materials, Water and Power Supply Services – Liuzhou Wuling Motors Industrial Company Limited (“Wuling Industrial”)

Turnover (based on external sales) of the trading and supply services division (formerly known as procurement services division) for the year ended 31 December 2008 was RMB671,288,000 with a segmental share of 9%. Operating profits for the year was RMB54,127,000 with a segmental share of 22%.

The trading and supply services undertaken by Wuling Industrial provided a steady income stream to the Group and recorded a decent segmental share in the Group’s operating profits.

Besides acting as the holding company, Wuling Industrial itself maintains a technical centre, a training centre and two operating arms which provide centralized procurement services to the group companies, customers and suppliers for the supply of raw materials, water and power. This centralized procurement model guaranteed benefits from bulk purchases and scale operations to the participated entities and enhanced competitiveness in the industry.

Headquartered in Liuzhou in the Guangxi Province and supported by a total number of approximately 5,000 staff members (inclusive of the staff members of the three aforementioned subsidiaries), Wuling Industrial enjoys the close proximity advantage to the key customer and perform a core and effective functions to the key customer and to its subsidiaries.

The primary corporate objectives of Wuling Industrial can be separated into the following three main areas:

(1) to expedite the growth of the three manufacturing businesses with the market principles of supplying good quality vehicles at competitive price to the customers and with the ultimate targets to secure and reinforce the leading position in the market;

(2) to promote a coherent working environment among different entities which include the group companies, its customers, suppliers and other services providers to ensure common corporate goals and to determine appropriate operational policies; and

(3) to design and carry out effective procurement and resources allocation programmes to enhance efficiency and competitiveness of the group companies as well as the entities serviced by the Group 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 the customers, 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 the customers due to the strong market demands for their products, the Group is confident that the effective cost savings contribution from the trading and supply services division will continue to bring positive impact to the Group's profitability for coming years.

Meanwhile, Wuling Industrial also entered into a co-operation agreement with a prominent enterprise in Liuzhou for a new business project relating to the construction vehicles during the year. Strategically, Wuling Industrial will conscientiously implement suitable policies of diversification and integration to promote the long term growth potential of the Group in the automobile industry.

Financial Review

Income Statement

In consequence of the formal setup of Wuling Industrial as a sino-foreign joint venture company by the Company and Liuzhou Wuling, operating results of Wuling Industrial was consolidated into the Group's accounts commencing from 1 September 2007. Accordingly, the reporting results for the year ended 31 December 2008 reflected the full year's operating results of Wuling Industrial, whereas, reporting results for prior year covered the last four months' results of 2007. 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.

Group's turnover and net profits for the year ended 31 December 2008 were RMB7,111,911,000 and RMB136,887,000 respectively which were mainly attributable to the four business segments namely (1) engines and parts; (2) automotive components and accessories; (3) specialized vehicles; and (4) trading of raw materials, water and power supply services. Profits attributable to equity holders for the year were RMB32,647,000.

Gross margin of the Group was 10.9%, reflecting the keen competition environment in the automobile industry in the PRC. Continuous pricing pressures from the customers and increasing costs in the first half of the year had kept the gross margin in a highly competitive level. However, due to lower material costs and certain selling price adjustments in the second half of the year, our two major business segments namely (1) engines and parts; and (2) automotive components and accessories divisions enjoyed some positive impacts such that our full year's gross margin had been satisfactorily improved as compared to last year's number of 9.3%

Other income comprised primarily sales of scrap materials and parts, bank interest income and service income on repairs and maintenance was RMB85,057,000 for the year ended 31 December 2008. The increase was a result of the full year's consolidation of Wuling Industrial as aforementioned. Amongst which, sales of scrap materials and parts was the major component of such increase.

Distribution costs of the Group comprised primarily transportation costs, warranty expenses and various marketing expenses were RMB187,163,000 for the year ended 31 December 2008. The increase was also a result of the full year's consolidation of Wuling Industrial as aforementioned. Amongst which, the increase in transportation costs and warranty expenses accounted for the major component of such increase.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, miscellaneous consumable expenses and research and development expenditures were RMB463,066,000 for the year ended 31 December 2008. Again, it reflected the consolidated results of Wuling Industrial for the full year. Amongst which, increases in salary and allowances, various insurance expenses and research and development expenditures were the major components of the increase.

Finance costs for the year ended 31 December 2008 amounted to RMB45,014,000. 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.

Effective tax rate of the Group for the year ended 31 December 2008 was 16.9%, representing primarily the corporate income tax applicable to the members companies of the Wuling Industrial Group, in which some of them are entitled to the preferential tax scheme offered by the government to the manufacturing enterprises located in specific regions in the western part of the PRC.

Earnings per share for the year ended 31 December 2008 was RMB3.56 cents, represented an increase of 182.5% as compared to the earnings per share of RMB1.26 cents recorded in last year.

Balance sheet

As at 31 December 2008, the total assets and liabilities of the Group stood at RMB5,674,052,000 and RMB4,966,822,000 respectively.

Non-current assets amounted to RMB647,273,000 which comprised mainly property, plant and equipment, and prepaid lease payments, etc..

Current assets amounted to RMB5,026,779,000 comprised mainly inventory of RMB600,273,000, trade and other receivables and bills receivables discounted with recourse of RMB3,203,217,000, bank and cash balances (inclusive of pledged bank deposits) of RMB1,220,667,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,062,678,000 was recorded as trade and other receivables in the balance sheet. These receivable balances were subject to normal and commercial settlement terms. Total cash and bank balances amounted to RMB1,220,667,000, in which RMB624,601,000 were pledged bank deposits to secure the banking facilities offered to the Group. Overall, the Group had cash (excluding pledged bank deposits) net of borrowings amounting to RMB378,750,000 as at 31 December 2008.

Current liabilities amounted to RMB4,943,964,000 comprised mainly trade and other payables and advances drawn on bills receivables discounted with recourse of RMB3,621,606,000, amount due to related companies of RMB1,010,047,000, provision for warranty of RMB83,226,000 and bank borrowings – due within one year of RMB197,028,000. Amount due to Liuzhou Wuling, a substantial shareholder of the Company and the joint venture partner of Wuling Industrial which amounted to RMB989,580,000 was recorded under current liabilities.

Non-current liabilities amounted to RMB22,858,000 comprised mainly bank borrowings.

Group's bank borrowings increased to RMB217,316,000 as at 31 December 2008 as a result of the additional borrowings drawn down for the operation of the Wuling Industrial Group.

As at 31 December 2008, the Group had a gearing ratio of 30.7% calculated based on the Group's total bank borrowings and the Group's net assets, representing an increase of 15.6 percentage points as compared prior year.

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

Total shareholders' equity increased to RMB146,744,000 as at 31 December 2008 compared to RMB108,576,000 as at 31 December 2007. Net asset value per share also rose by approximately 35.6% to RMB16.0 cents as at 31 December 2008 from RMB11.8 cents as at 31 December 2007.

DIVIDEND

No interim dividend was declared or paid during the year (2007: Nil). The directors do not recommend the payment of a final dividend (2007: Nil).

ISSUE OF CONVERTIBLE NOTES SUBSEQUENT TO YEAR END

On 12 January 2009, the Company issued convertible notes with principal amount of HK$100,000,000, equivalent to approximately RMB88,000,000, to a substantial shareholder, Liuzhou Wuling which bears interest at 6% per annum. Net proceeds amounting to approximately HK$99,000,000, equivalent to approximately RMB87,000,000 from the issue had been injected into Wuling Industrial subsequently for providing additional working capital for its operations. Subsequent to this capital injection, the percentage of the paid up capital of the Company in Wuling Industrial has been increased from 17.2% to 30.5%.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year, the Company has applied the principles and the code provisions as set out in the Code on Corporate Governance Practices ("CG Code') as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and complied with most of the CG Code save for the deviation as detailed below:

CG Code 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 will not impair the balance of power and authority between the Board and the management of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of, inter alia, reviewing and providing supervision over the Group's financial reporting process and internal controls.

The Audit Committee currently comprises three independent non-executive directors, including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise.

The financial statements for the year ended 31 December 2008 have been reviewed by the Audit Committee.

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, Mr. Pei Qingrong and Mr. Zhou Sheji as executive directors and Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang as independent non-executive directors.

By Order of the Board
Lee Shing
Chairman and Chief Executive Officer

Hong Kong, 22 April 2009