俊山五菱汽車集團有限公司*

Dragon Hill Wuling Automobile Holdings Ltd.

(Incorporated in Bermuda with limited liability) (Stock Code 股份代號：305)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2009	2008	Change
	RMB'000	RMB'000	(%)
	(Unaudited)	(Unaudited)	
Revenue	**4,813,928**	3,674,925	31.0
Gross profit	**404,360**	333,328	21.3
Profit for the period	**29,867**	89,088	(66.5)
(Loss) profit attributable to the owners of the Company	**(41,440)**	8,406	(593.0)
Profit for the period, adjusting for the change in fair value of the derivative financial instrument embedded with the convertible loan notes issued by the Company	**91,304**	89,088	2.5
Profit attributable to the owners of the Company, adjusting for the change in fair value of the derivative financial instrument embedded with the convertible loan notes issued by the Company	**19,997**	8,406	137.9

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 2009.

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 2009

	NOTES	Six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Revenue	3	**4,813,928**	3,674,925
Cost of sales		**(4,409,568)**	(3,341,597)
Gross profit		**404,360**	333,328
Other income		**40,162**	61,807
Distribution costs		**(78,312)**	(66,501)
General and administrative expenses		**(195,705)**	(180,318)
Research and development expenses		**(40,979)**	(20,286)
Net gain (loss) held-for-trading investments		**3**	(250)
Change in fair value of derivative financial instrument	12	**(61,437)**	-
Change in fair value of investment properties	8	**260**	4,003
Share of result of an associate		**645**	541
Finance costs		**(22,004)**	(16,753)
Profit before taxation		**46,993**	115,571
Income tax expense	4	**(17,126)**	(26,483)
Profit for the period	5	**29,867**	89,088
(Loss) profit for the period attributable to:			
Owners of the Company		**(41,440)**	8,406
Minority interests		**71,307**	80,682
		29,867	89,088
(Loss) earnings per share	6		
- Basic		**RMB(4.52) cents**	RMB0.92 cent
- Diluted		**RMB(4.52) cents**	RMB0.92 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**29,867**	89,088
Other comprehensive expense:		
Exchange differences arising from translation of foreign operation	**(190)**	(4,459)
Total comprehensive income for the period	**29,677**	84,629
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(41,630)**	3,947
Minority interests	**71,307**	80,682
	29,677	84,629

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	**30 June 2009 RMB'000 (Unaudited)**	31 December 2008 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**604,136**	570,065
Prepaid lease payments		**45,120**	13,912
Premium on prepaid lease payments		**1,035**	1,047
Investment properties	8	**-**	6,172
Intangible assets		**876**	928
Interest in an associate		**3,049**	3,304
Available-for-sale investments		**495**	495
Deposits for trading rights		**180**	180
Deposits paid for acquisition of property, plant and equipment		**58,255**	51,170
		713,146	647,273
CURRENT ASSETS			
Inventories		**588,170**	600,273
Loan receivables		**169**	68
Trade and other receivables	9(i)	**3,862,753**	2,861,209
Bills receivables discounted with recourse	9(ii)	**332,230**	342,008
Prepaid lease payments		**803**	201
Held-for-trading investments		**6**	3
Client trust bank accounts		**4,777**	2,350
Pledged bank deposits		**922,263**	624,601
Cash and cash equivalents		**770,958**	596,066
		6,482,129	5,026,779
CURRENT LIABILITIES			
Trade and other payables	10(i)	**4,695,376**	3,279,598
Advances drawn on bills receivables discounted with recourse	10(ii)	**332,230**	342,008
Amount due to a shareholder	15	**1,027,761**	989,580
Amount due to an associate	15	**1,082**	20,467
Provision for warranty	11	**77,061**	83,226
Tax payable		**35,880**	31,787
Derivative financial instrument	12	**79,796**	-
Bank borrowings - due within one year	13	**205,924**	197,028
Convertible loan notes	12	**2,468**	-
Obligations under finance leases - due within one year		**271**	270
		6,457,849	4,943,964
NET CURRENT ASSETS		**24,280**	82,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**737,426**	730,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year	13	**5,922**	20,288
Deferred tax liabilities		**3,500**	2,158
Obligations under finance leases - due after one year		**278**	412
Convertible loan notes	12	**71,357**	-
		81,057	22,858
		656,369	707,230
CAPITAL AND RESERVES			
Share capital	14	**3,659**	3,659
Reserves		**101,455**	143,085
Equity attributable to owners of the Company		**105,114**	146,744
Minority interests		**551,255**	560,486
		656,369	707,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners 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)	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008 (audited)	3,659	279,305	(3,349)	97,435	-	9,085	18,505	(296,064)	108,576	472,113	580,689
Profit for the period	-	-	-	-	-	-	-	8,406	8,406	80,682	89,088
Exchange difference arising from translation of foreign operation	-	-	(4,459)	-	-	-	-	-	(4,459)	-	(4,459)
Total comprehensive (expense) income for the period	-	-	(4,459)	-	-	-	-	8,406	3,947	80,682	84,629
Deregistration of a subsidiary (note iv)	-	-	-	-	-	-	-	-	-	(3,169)	(3,169)
Share-based payments	-	-	-	-	5,381	-	-	-	5,381	-	5,381
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(6,162)	(6,162)
Transfers	-	-	-	-	-	12,598	-	(12,598)	-	-	-
Subtotal	-	-	-	-	5,381	12,598	-	(12,598)	5,381	(9,331)	(3,950)
At 30 June 2008 (unaudited)	3,659	279,305	(7,808)	97,435	5,381	21,683	18,505	(300,256)	117,904	543,464	661,368
Profit for the period	-	-	-	-	-	-	-	24,241	24,241	23,558	47,799
Exchange difference arising from translation of foreign operation	-	-	4,599	-	-	-	-	-	4,599	-	4,599
Total comprehensive income for the period	-	-	4,599	-	-	-	-	24,241	28,840	23,558	52,398
Deregistration of a subsidiary (note iv)	-	-	-	-	-	-	-	-	-	(2,123)	(2,123)
Transfer to accumulated losses on lapse of share options	-	-	-	-	(88)	-	-	88	-	-	-
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(4,413)	(4,413)
Transfers	-	-	-	-	-	17,302	-	(17,302)	-	-	-
Subtotal	-	-	-	-	(88)	17,302	-	(17,214)	-	(6,536)	(6,536)
At 31 December 2008 (audited)	3,659	279,305	(3,209)	97,435	5,293	38,985	18,505	(293,229)	146,744	560,486	707,230
(Loss) profit for the period	-	-	-	-	-	-	-	(41,440)	(41,440)	71,307	29,867
Exchange difference arising from translation of foreign operation	-	-	(190)	-	-	-	-	-	(190)	-	(190)
Total comprehensive (expense) income for the period	-	-	(190)	-	-	-	-	(41,440)	(41,630)	71,307	29,677
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(80,538)	(80,538)
Transfers	-	-	-	-	-	4,274	-	(4,274)	-	-	-
Subtotal	-	-	-	-	-	4,274	-	(4,274)	-	(80,538)	(80,538)
At 30 June 2009 (unaudited)	3,659	279,305	(3,399)	97,435	5,293	43,259	18,505	(338,943)	105,114	551,255	656,369

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 the 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. The general reserve fund is non-distributable other than upon liquidation.

(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 year ended 31 December 2008, 北京北汽發動機有限公司 and 柳州五菱汽車有限責任公司柳州機械廠無錫分公司, being a 51% owned subsidiary and a branch respectively, were deregistered. No gain or loss was resulted from the deregistration.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	**552,679**	209,337
Net cash (used in) from investing activities		
(Increase) decrease in pledged bank deposits	**(297,662)**	148,390
Deposits paid for acquisition of property, plant and equipment	**(58,255)**	(68,098)
Purchase of property, plant and equipment	**(29,379)**	(17,764)
Proceeds from disposal of property, plant and equipment	**18,220**	4,286
Other investing cash flows	**(13,327)**	7,901
	(380,403)	74,715
Net cash from (used in) financing activities		
Proceeds from the issue of convertible loan notes	**88,069**	-
Bank borrowings raised	**70,000**	151,195
Advance from (repayment to) a shareholder	**38,181**	(302,798)
Dividends paid to minority shareholders of subsidiaries	**(80,538)**	(5,388)
Repayment of bank borrowings	**(75,539)**	(43,215)
Interest paid	**(17,990)**	(16,753)
Repayment of amount due to an associate	**(19,385)**	(7,786)
Other financing cash flows	**(132)**	(139)
	2,666	(224,884)
Net increase in cash and cash equivalents	**174,942**	59,168
Cash and cash equivalents at the beginning of period	**596,066**	601,617
Effect of foreign exchange rate changes	**(50)**	(669)
Cash and cash equivalents at the end of period, representing bank balances and cash	**770,958**	660,116

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 (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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 2008. In addition, the Group has adopted the following policy upon issuance of convertible loan notes:

Convertible loan notes

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES - continued

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standard ("HKFRS") 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 *Segment Reporting,* required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

2. PRINCIPAL ACCOUNTING POLICIES - continued

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1(Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[4]

[1] *Effective for annual periods beginning on or after 1 July 2009*
[2] *Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1 January 2010*
[4] *Effective for transfers on or after 1 July 2009*

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in Group's ownership interest in subsidiary.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as starting point for the identification of such segments. In the past, the Group's primarily reporting format was business segment. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segment as compared with the primary reportable segment determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment of profit or loss.

3. SEGMENT INFORMATION - continued

The Group is organized into the following five operating segments:

- 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

An analysis of the Group's reportable segment profit before taxation by operating segment is as follows:

	Engines and parts	Automotive components and accessories	Specialized vehicles	Trading 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 six months ended 30 June 2009							
Revenue							
External sales	**1,622,373**	**2,508,534**	**490,505**	**191,735**	**781**	**-**	**4,813,928**
Inter-segment sales	**169,262**	**16,168**	**29,436**	**1,472,850**	**-**	**(1,687,716)**	**-**
Total	**1,791,635**	**2,524,702**	**519,941**	**1,664,585**	**781**	**(1,687,716)**	**4,813,928**
Inter-segment sales were charged at prevailing market prices.							
Segment profit	**80,393**	**12,647**	**7,297**	**21,368**	**3,040**		**124,745**
Corporate income :							
Bank interest income							**11,203**
Increase in fair value of investment properties							**260**
Central administration costs							**(6,419)**
Change in fair value of derivative financial instrument							**(61,437)**
Share of result of an associate							**645**
Finance costs							**(22,004)**
Profit before taxation							**46,993**

3. SEGMENT INFORMATION - continued

	Engines and parts RMB'000	Automotive components and accessories RMB'000	Specialized vehicles RMB'000	Trading of raw materials, water and power supply RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
For the six months ended 30 June 2008							
Revenue							
External sales	1,488,777	1,652,781	261,150	270,889	1,328	-	3,674,925
Inter-segment sales	7,495	24,506	30,092	986,939	-	(1,049,032)	-
Total	1,496,272	1,677,287	291,242	1,257,828	1,328	(1,049,032)	3,674,925
Inter-segment sales were charged at prevailing market prices.							
Segment profit (loss)	66,077	18,120	6,222	38,893	(1,477)		127,835
Corporate income :							
Bank interest income							7,895
Change in fair value of investment properties							4,003
Others							4,516
Central administration costs							(12,466)
Share of result of an associate							541
Finance costs							(16,753)
Profit before taxation							115,571

Segment profit (loss) represents profit (loss) attributable to each segment without allocation of corporate income, central administration costs, change in fair value of derivative financial instrument, share of result of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Tax charge represents:		
PRC income tax for the current period	**14,171**	24,453
Deferred tax		
Current period	**2,955**	2,030
	17,126	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.

4. INCOME TAX EXPENSE - continued

Pursuant to the tax notice, Caishui [2001] No. 202, other than Wuling Industrial which was subject to PRC income tax rate of 25%, all the major operating subsidiaries of the Group in the PRC are entitled to a preferential income tax rate of 15% until 2010 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 revenue generated from their main business exceeds 70% of their total income.

Deferred tax has been provided in the condensed consolidated financial statements in respect of the undistributed profits earned by the Company's PRC subsidiaries to the non-PRC resident shareholders.

5. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Directors' emoluments	**1,773**	2,176
Other staff costs	**111,847**	111,650
Retirement benefit scheme contributions, excluding directors	**48,385**	35,887
Total staff costs	**162,005**	149,713
Gross property rental income	**(65)**	(492)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**4**	2
Net rental income	**(61)**	(490)
Cost of inventories recognized as an expense	**3,341,689**	2,938,749
Depreciation of property, plant and equipment	**32,452**	28,899
Gain on disposal of property, plant and equipment	**(4,150)**	(1,217)
Amortization of prepaid lease payments (included in general and administrative expenses)	**75**	25
Amortization of premium on prepaid lease payments (included in general and administrative expenses)	**12**	12
Bank interest income	**(11,203)**	(7,895)

6. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(41,440)**	8,406

	For the six months ended 30 June	
	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**917,288,049**	917,288,049

The computation of diluted (loss) earnings per share for the periods ended 30 June 2009 and 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 periods.

The computation of diluted loss per share for the period ended 30 June 2009 does not assume the conversion of the Company's outstanding convertible loan notes since the assumed exercise of the note would result in a decrease in loss per share.

7. DIVIDEND

No dividend was declared by the Company in respect of the two periods ended 30 June 2009 and 2008.

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. During the six months ended 30 June 2009, the Group disposed of all investment properties at an aggregate consideration of RMB6,455,000. The resulting increase in fair value of investment properties of approximately RMB260,000 has been recognized directly in the condensed consolidated income statement.

During the period, additions to the Group's property, plant and equipment amounted to RMB80,549,000 (six months ended 30 June 2008: RMB76,858,000).

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

(i) 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 RMB3,664,722,000 (31 December 2008: RMB2,691,796,000) and an aged analysis is presented as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
0 to 90 days	**3,650,375**	2,676,893
91 to 180 days	**13,687**	14,474
181 - 365 days	**536**	117
Over 365 days	**124**	312
	3,664,722	2,691,796

(ii) Bills receivables discounted with recourse

The amount represents bills receivables discounted to banks with recourse with a maturity period of less than 150 days (31 December 2008: 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 in note 10 (ii).

10. TRADE AND OTHER PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(i) Trade and other payables

Included in trade and other payables are trade payables of RMB4,195,845,000 (31 December 2008: RMB2,992,433,000) and an aged analysis is presented as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
0 to 90 days	**4,057,721**	2,965,190
91 to 180 days	**84,175**	8,125
181 to 365 days	**32,921**	15,075
Over 365 days	**21,028**	4,043
	4,195,845	2,992,433

10. TRADE AND OTHER PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE - continued

(ii) Advances drawn on bills receivables discounted with recourse

The amount represents the Group's bank borrowings secured by bills discounted to banks with recouse (see note 9(ii)).

11. PROVISION FOR WARRANTY

	Six months ended 30 June 2009 RMB'000	Year ended 31 December 2008 RMB'000
At the beginning of the period/year	**83,226**	64,279
Additional provision in the period/year	**23,470**	84,123
Utilization of provision	**(29,635)**	(65,176)
At the end of the period/year	**77,061**	83,226

The warranty provision represents the 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.

12. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with principal amount of HK$100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling (Hong Kong) Holdings Limited, a substantial shareholder of the Company ("CN 2014"). CN 2014 is denominated in Hong Kong dollars and carries interest at 6% per annum with maturity on 12 January 2014. CN 2014 entitles the holder to convert, in whole or in part, the principal 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, at a conversion price of HK$0.74 per ordinary share, subject to anti-dilutive adjustments. If not converted, CN 2014 will be redeemed on the maturity date at par.

The fair values at initial recognition of the liability component and conversion option component of HK$79,248,000 (approximately RMB69,755,000) and HK$20,752,000 (approximately RMB18,314,000) respectively, are determined based on the valuation provided by Grant Sherman Appraisal Limited, independent professional qualified valuers not connected with the Group. Subsequent to initial recognition, the liability component is carried at amortized cost using the effective interest method at an interest rate of 13.25%.

12. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES - continued

The movement of the liability and the conversion option components of CN 2014 during the period is as follows:

	Liability component RMB'000	Conversion option component RMB'000
At date of issue	69,755	18,314
Effective interest expenses	4,014	-
Changes in fair value during the period	-	61,437
Exchange difference	56	45
At 30 June 2009	73,825	79,796
Less: amount included in current liabilities	(2,468)	-
Amount due after one year	71,357	79,796

The methods and assumptions applied for the valuation of the convertible loan notes are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the Company and remaining time to maturity.

(ii) Valuation of conversion option component

The conversion option component is measured at fair value using the Binomial Option Pricing Model, at initial recognition and at the end of the reporting period. The inputs into the model as at the respective dates are as follows:

	At 30 June 2009	At date of issue
Stock price	HK$1.09	HK$0.49
Conversion price	HK$0.74	HK$0.74
Expected dividend yield	0%	0%
Volatility	59.88%	46.64%

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of RMB70 million (six months ended 30 June 2008: RMB151 million) which were used to repay existing bank borrowings and to finance the Group's daily operation.

The Group's borrowings carry interest at market rates ranging from 1.2% to 5.3% per annum (six months ended 30 June 2008: 2.5% to 7.5%).

14. SHARE CAPITAL

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Authorized:		
25,000,000,000 (2008: 25,000,000,000) ordinary shares of HK$0.004 each (2008: HK$0.004 each)	**100,000**	100,000
1,521,400,000 (2008: 1,521,400,000) convertible preference shares of HK$0.001 each (2008: HK$0.001 each)	**1,521**	1,521
	101,521	101,521
Issued and fully paid:		
917,288,049 (2008: 917,288,049) ordinary shares of HK$0.004 each (2008: HK$0.004 each)	**3,659**	3,659

15. RELATED PARTY DISCLOSURES

(I) Related party transactions

Company	Transactions	For the six months ended 30 June 2009 RMB'000	2008 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	**4,111,447**	2,740,591
	Purchases of materials	**855,305**	806,993
	Sales of raw materials	**-**	15,514
	Warranty expense paid	**27,548**	29,091
	Project income	**2,359**	195
Liuzhou Wuling Group (note ii)	License fee paid	**1,650**	1,650
	Rental expense	**14,076**	14,076
	Sales of goods	**2,336**	4,250
	Sales of raw materials and automotive components	**41,137**	13,421
	Supply services of water and power	**578**	495
	Purchases of automotive components and other accessories	**25,092**	11,537

Notes:

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

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

15. RELATED PARTY DISCLOSURES - continued

(II) Related party balances

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade receivables		
- SGMW	**2,281,997**	2,062,678
- Liuzhou Wuling Group	**-**	8,437
Trade payables		
- Liuzhou Wuling Group	**1,089**	-
Amount due to a shareholder/an associate		
- Liuzhou Wuling (note ii)	**1,027,761**	989,580
- 柳州五菱物流有限公司 (notes i & ii)	**1,082**	20,467

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 by related parties

The Group's unsecured bank borrowings are supported by:

(i) A personal guarantee to the extent HK$20,000,000 given by Mr. Lee Shing, a director of the Company.

(ii) Corporate guarantees to the extent of RMB400,000,000 given by Liuzhou Wuling.

(IV) Guarantee provided to a related party

Wuling Industrial has provided a corporate guarantee to a financial institution to the extent of RMB200,000,000 in respect of revolving banking facilities granted to Liuzhou Wuling. In the opinion of the directors, the fair value of financial guarantee contract is insignificant at initial recognition and subsequent reporting date.

(V) Convertible loan notes issued to a substantial shareholder

As disclosed in note 12, the Company issued convertible loan notes with principal amount of HK$100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling (Hong Kong) Holdings Limited, a substantial shareholder of the Company.

15. RELATED PARTY DISCLOSURES - continued

(VI) 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	
	2009	2008
	RMB'000	RMB'000
Short-term benefits	**2,138**	2,254
Post-employment benefits	**120**	34
Share-based payments	**-**	2,935
	2,258	5,223

16. CAPITAL COMMITMENTS

	At 30 June 2009	At 31 December 2008
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
- construction in progress	**47,735**	18,214
- acquisition of property, plant and equipment	**135,824**	120,569
	183,559	138,783

In addition, at 30 June 2009, the Company is committed to make further capital contribution of RMB225,857,478 to its 51% subsidiary, Wuling Industrial, in proportion to its shareholding in Wuling Industrial. See note 18(b) for further details.

17. OPERATING LEASES

The Group as lessor

At the balance sheet date, the Group had contracted with lessees for the following future minimum lease receipts:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within one year	**8**	127
In the second to fifth year inclusive	**2**	4
	10	131

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within one year	**16,131**	29,884
In the second to fifth year inclusive	**-**	94
	16,131	29,978

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

18. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2009, the following significant events took place:

(a) On 6 August 2009, the Group acquired two investment properties in Hong Kong at an aggregation consideration of HK$25,600,000.

(b) On 17 August 2009, the Company announced that it would delay the payment of the second (and final) instalment of subscription money payable of RMB225,857,478 in respect of the outstanding capital contribution to its 51% subsidiary, Wuling Industrial, as set out in the Company's circular dated 25 June 2007. As at the date of this interim report, the Company, Liuzhou Wuling and Wuling Industrial are still in the process of negotiation relating to the timing arrangement for payment of such balance.

MANAGEMENT DISCUSSION AND ANALYSIS

MESSAGES FROM THE BOARD OF DIRECTORS

Performance

We are pleased to present the unaudited results of Dragon Hill Wuling Automobile Holdings Limited for the six months ended 30 June 2009.

To cope with the anticipated adversities caused by the financial tsunami broke out in the second half of 2008, the Chinese government implemented comprehensive stimulus programs to boost the local economy in China. Specific favourable policies towards the China automobile industry were included in the programs and had effectively stimulated local demands of our customers' products in the first half of 2009, which in turn benefited the Group with an impressive growth in revenue. During the first half of 2009, the Group recorded total revenue of RMB4,813,928,000, representing a significant 31% increase as compared to prior year's comparative figures.

Meanwhile, gross profits for the period under review was RMB404,360,000, representing a 21% increase as compared to prior year's comparative figures. This lower increase rate was mainly due to the impact of certain undesirable factors caused by a sudden surge in demands with the initial stage operations of certain new facilities of the Group in the first half of 2009, which drove up cost of production in these facilities.

Taking into account of the loss on fair value adjustment of RMB61,437,000 relating to the convertible loan notes issued by the Company in January 2009 for the purpose of financing the capital injection to Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), the Group recorded net profits of RMB29,867,000 for the first half of 2009 and a loss attributable to the owners of the Company for the respective reporting period amounted to RMB41,440,000.

On the basis of the exclusion of the aforementioned fair value adjustment, net profits and profit attributable to the owners of the Company will be adjusted to RMB91,304,000 and RMB19,997,000 respectively, representing respective increases of 2.5% and 138% as compared to prior year's comparative figures.

On 12 January 2009, the Company issued convertible loan notes with principal amount of HK$100,000,000 to a substantial shareholder, Wuling (Hong Kong) Holdings Limited, a wholly owned subsidiary of Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling") which bears interest at 6% per annum. Net proceeds amounting to approximately HK$99,000,000 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 was increased from 17.2% to 30.5%, which was used as the basis to calculate the profits or loss attributable to the equity holders for the first half of 2009.

Opportunities and Challenges

On the back of the stimulus programs implemented by the government, the performance of the China automobile industry had been significantly improved in the first half of 2009. Total motor vehicles sold from January to June 2009 reached 6,100,000, representing a 18% growth on a year-to-year basis, in which local mini-vehicles industry alone achieved an impressive growth rate of 55% during these six months period.

The stimulus programs which are favourable to our core businesses, i.e. the mini-vehicles industry, are summarized below:

a. Reduction of purchase tax for the 1.6L or lower capacity passenger cars to 5% during the period of 20 January 2009 to 31 December 2009;
b. Government subsidy amounting to an aggregate RMB5 billion provided to the farmers for purchasing light truck or mini-vans with capacity below 1.3L during the period from 1 March 2009 to 31 December 2009;
c. Direct government subsidies amounting to RMB10 billion in the following three years to support technical innovation, technical improvement, new energy vehicles and auto parts development. The government will also support the automobile corporations to develop their own brands, encourage automobile exports and strengthen automobile financing;
d. Other favourable measures such as the cancellation of the regulations to limit car purchase, trade-in policy relating to the replacement of old vehicles by new vehicles, adjustments on consumption tax applicable to oil products, cancellation of road maintenance cost, the two successive price reductions of oil products and the encouragement policy for developing the public transport of towns and villages.

As an enterprise with specific business focus on the commercial-type mini-vehicles serving the local market, we also identify opportunities associated with the following market trends in China:

i. Driven by the government policies, mini-vehicles will have greater potential in the rural, second-tier and third-tier cities in China;
ii. The trend of an increase in demand of low emission vehicles due to environmental concern;
iii. Increased popularity of mini-vehicles during the course of development in China which is similar to the track record of other Asian countries, such as Japan; and
iv. Huge growth potential for specialized vehicles due to vast and diversified demands in market.

Strategies

The Board is full of confidence in the long term growth potential in China automobile industry and is determined to meet with the opportunities arisen with appropriate and effective strategies which are summarized below:

a. Technical re-engineering projects such as certain specialization programs in our engines and parts division through the setup of the new production plant for the parts of 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 SAIC-GM-Wuling Automobile Co., Limited ("SGMW");
b. Business expansion programs 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 division which include the co-operation project with Liugong Machinery namely "Liugong Driver Box Co-operation Project" for actively explore the opportunities in the construction machinery industry;
c. Various capacity expansion programs in our automotive components and specialized vehicles divisions through the setup of the new production facilities such as the new integrated plant for car axle and brake systems and the new Qingdao factory with the objectives to enhance productivity and to increase capacity to cope with the increasing demands coming from existing and new customers;
d. Strengthening of the technical capability through research and innovation with market oriented strategies to intensify new product development projects. Through the launch of various new models of specialized vehicles, including the V2 mini-van, new energy vehicles such as electrical community car, electrical sight-seeing bus and electrical mini-truck for aiming at both the local and international markets for improving the overall profitability of the Group; and
e. An effective cost control program 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 stimulus programs implemented by the government have effectively led to a boost in the short term demands and benefit the performance of the China automobile industry. In the first quarter of 2009, based on the number of vehicles sold, China had surpassed the United States to become the largest motor vehicles manufacturing country in the world.

In response to the encouraging market condition in the first half of 2009, most of the enterprises in the China automobile industry optimistically revised their annual targets and carried out aggressive expansion programs in order to take advantages from this unprecedented favourable condition. It is generally expected that the number of vehicles sold in China will exceed 11 million for the full year of 2009, representing an annual increase of nearly 20% as compared to last year.

The short term benefits of the stimulus programs to the China automobile industry are obvious. However, the potential competitions associated with excessive capacities from the aggressive expansion programs should not be underestimated. Therefore, apart from implementing capacity expansions, the Group will continue to undertake quality after-sale services and planned technical re-engineering programs to further our product quality standard and technical capability.

Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the China automobile industry will be further strengthened subsequent to this unprecedented favourable business environment.

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.

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; (3) specialized vehicles; and (4) trading and supply services for the first half of 2009 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 2009 was RMB1,622,373,000, representing a modest increase of 9% as compared to prior year's comparative figures. Operating profits for the respective period was RMB80,393,000, representing an increase of 22% as compared to prior year's comparative figures.

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 2009.

During this six months period, Wuling Liuji continued to deliver a set of solid results to the Group. The satisfactory results achieved by Wuling Liuji were mainly attributable to the continuous strong market demands for the main models. Total sale volume was approximately 350,000 units, with 90% of which were sold to SGMW. The significant volume growth of business of SGMW in the first half of 2009 benefited the business performance of this division.

Operating margin maintained at 5.0% as compared to 4.4% recorded in prior year's corresponding period. Despite a significant improvement in the gross margin resulting from lower material costs, increase in research and development expenses of approximately RMB8,000,000 incurred in this period kept the operating margin at the similar level recorded in prior year's corresponding period. The research and development expenses were primarily incurred for the on-going technical development projects for new products and models which will contribute to the profitability of the division in future.

The new production line for the nonferrous metallic parts for the engine's cylinder, which commenced operation in last year had begun to contribute to the business performance of this division. The parts produced by this new production line were primarily applied for the existing models of SGMW. Following the completion of this nonferrous metallic parts project, the Group has plan to further strengthen its capability in the engines business by launching a cylinder casting project with a targeted capacity of 600,000 units with the objectives of promoting better production efficiency and profitability.

The Group expects the strong market demands for SGMW models will continue in the second half of 2009 which will benefit the business performance in this division for the full year.

Automotive Component – Liuzhou Wuling Motors United Development Limited ("Wuling United")

Turnover (based on external sales) of the automotive components division for the six months ended 30 June 2009 was RMB2,508,534,000, representing a significant increase of 52% as compared to prior year's comparative figures. Operating profits for the respective period was RMB12,647,000, representing a decrease of 30% as compared to prior year's comparative figures.

The automotive components division undertaken by Wuling United experienced a strong growth in revenue in the first half of 2009 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 another record revenue figure. This remarkable result was mainly attributable to the continuous strong market demands for the vehicles produced by SGMW. Total sale volume was approximately 480,000 units/sets, equivalent to nearly 80% of the total volume for the year 2008, in which sales to SGMW accounted for more than 95% of the total turnover.

Profitability performance was, on the other hand, adversely affected by the loss making situation of the Qingdao factory caused by a sudden surge in demands and the initial stage operations of this new facility which resulted in an undesirable higher cost of production.

To cope with the tremendous increases in demands from SGMW, production facilities of the automotive components division were required to be operated at an above full capacity level during this six months period. This overloaded operating environment was in particular undesirable for the new facility in Qingdao, which drove up the cost of production and resulted in a loss making situation in this new plant for the first half of 2009. With the installation of additional plant and machinery and better operation stability, such undesirable condition has been gradually improved in the second half of the year.

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 in the second half of 2009. At the same time, implementation of appropriate measures in lowering the cost of production of the Qingdao factory will benefit the profitability of the division for the full 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 2009 was RMB490,505,000, representing an increase of 88% as compared to prior year's comparative figures. Operating profits for the respective period was RMB7,297,000, representing an increase of 17% as compared to prior year's comparative figures.

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

During this six months period, through active marketing and promotion programs, Wuling Specialized Vehicles sold approximately 16,000 specialized vehicles in the first half of 2009, representing an impressive increase of nearly 80% as compared to the 9,000 specialized vehicles sold in prior year's corresponding period. Its main products comprised mainly multi-purpose mini-vans, redecorated vans and mini-container wagons, etc.

Operating margin reduced to 1.5% as from 2.4% recorded in prior year's corresponding period as a result of a substantial increase in the distribution costs incurred for the selling of certain specialized vehicles to those provinces located far away from Liuzhou.

In view of the increasing demands of the specialized vehicles and the Group's nationwide marketing strategy to promote its products across the whole China, the Group has plan to expand its production capacity by establishing a new production plant in Qingdao to facilitate geographical diversification which enables quality services and cost effectiveness.

The Group expects the market growth of the specialized vehicles products will continue in the second half of 2009 due to the favourable market conditions, which in turn will benefit the business performance of this division for the full year.

Trading and Supply Services – Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial")

Turnover (based on external sales) of the trading and supply services division for the six months ended 30 June 2009 was RMB191,735,000, representing a decrease of 29% compared to prior year's comparative figures. Inter-segment sales which were primarily contributed from the sales to Wuling United was RMB1,472,850,000, representing an increase of 49% compared to prior year's comparative figures. Operating profits for the respective period was RMB21,368,000, representing a decrease of 45% compared to prior year's comparative figures.

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.

Apart from the inter-segment sales, revenue from the trading and supply 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.

During this six months period, the trading and supply services division continued to experience business expansion resulting from the continuous strong market demands for the vehicles produced by SGMW.

Operating margin was, on the other hand, reduced as compared to prior year's corresponding period due to an increase in research and development expenses of approximately RMB17,000,000 incurred in the current period. These research and development expenses were primarily incurred for certain business development projects for new products and models which will contribute to the profitability of the division in future.

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 trading and supply services division in the second half of 2009 which will contribute to the business performance of the division for the full year.

FINANCIAL REVIEW

Income Statement

Group's turnover for the six months ended 30 June 2009 was RMB4,813,928,000 representing a significant 31% increase as compared to prior year's comparative figures which were mainly attributable to the continuous strong market demands for the vehicles produced by our key customer, SGMW, and the increasing sales of specialized vehicles on the back of the favourable policies implemented by the government during the period.

Gross profits for the six months ended 30 June 2009 was RMB404,360,000, representing a less impressive 21% as compared to prior year's comparative figures. This was due to the impact of certain undesirable effects caused by a sudden surge in demands and the initial stage operations of certain new facilities of the Group in the first half of 2009 which drove up the cost of production in these facilities. Accordingly, gross margin of the Group was slightly declined to 8.4% from 9.1% recorded in prior year's corresponding period. The single digit gross margin condition was also a reflection of the keen competition environment in the automobile industry in China.

Taking into account of the loss on fair value adjustment of RMB61,437,000 relating to the convertible loan notes issued by the Company in January 2009 for the purpose of financing the capital injection to Wuling Industrial, the Group recorded net profits of RMB29,867,000 for the first half of 2009 and a loss attributable to the owners of the Company for the respective reporting period amounted to RMB 41,440,000.

On the basis of the exclusion of the aforementioned fair value adjustment, net profits and profit attributable to the owners of the Company will be adjusted to RMB91,304,000 and RMB19,997,000 respectively, representing respective increases of 2.5% and 138% as compared to prior year's comparative figures.

On 12 January 2009, the Company issued convertible loan notes with principal amount of HK$100,000,000 to a substantial shareholder, Wuling (Hong Kong) Holdings Limited which bears interest at 6% per annum. Net proceeds amounting to approximately HK$99,000,000 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 was increased from 17.2% to 30.5%, which was used as the basis to calculate the profits or loss attributable to the equity holders for the first half of 2009.

Other income comprised primarily sales of scrap materials, bank interest income and gain on disposal of the Group's certain properties in Hong Kong was in aggregate RMB40,162,000 for the six months ended 30 June 2009, representing a decrease of 35% as compared to prior year's comparative figures. The decrease was mainly attributable to a substantial decline in the sale values of scrap materials.

Distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses was in aggregate RMB78,312,000 for the six months ended 30 June 2009, representing an increase of 18 % as compared to prior year's comparative figures. The increase was mainly attributable to the significant increase in the transportation cost incurred by the specialized vehicles division as abovementioned.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses was in aggregate RMB195,705,000 for the six months ended 30 June 2009, representing an increase of 9% as compared to prior year's comparative figures. The increase was in line with the increasing scale of operation resulting from the continuous business expansion of the Group.

Research and development expenses for the six months ended 30 June 2009 amounted to RMB40,979,000, representing an increase of 102% as compared to prior year's comparative figure. The research and development expenses were mainly incurred for new products and continuing development of new models projects, as well as certain business development plans.

Finance costs for the six months ended 30 June 2009 amounted to RMB22,004,000, representing an increase of 31% as compared to prior year's comparative figures. The balances included the finance cost of RMB4,014,000 incurred for the abovementioned convertible loan notes issued by the Company.

Taking into account of the loss on fair value adjustment on the convertible loan notes as aforementioned, the Company recorded a loss per share of RMB 4.52 cents for the six months ended 30 June 2009. On the basis of the exclusion of the aforementioned fair value adjustment, the Company will record an earnings per share for of RMB2.18 cents for the respective period, representing an increase of 137% as compared to prior year's comparative results.

Financial Positions

As at 30 June 2009, total assets and total liabilities of the Group stood at RMB7,195,275,000 and RMB6,538,906,000 respectively.

Non-current assets amounted to RMB713,146,000 comprised mainly property, plant and equipment and prepaid lease payment, etc.

Current assets amounted to RMB6,482,129,000 comprised mainly inventory of RMB588,170,000, trade and other receivables and bill receivables discounted with recourse of RMB4,194,983,000, bank and cash balances (inclusive of pledged bank deposits) of RMB1,693,221,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,281,997,000 was recorded as trade and other receivables in the balance sheet. These receivables balances were subject to normal commercial settlement terms. Total cash and bank balances amounted to RMB1,693,221,000, in which RMB922,263,000 were pledged bank deposits to secure the banking facilities offered to the Group. Overall, the Group had cash (excluding pledged bank deposits) net of bank borrowings amounting to RMB559,112,000 as at 30 June 2009.

Current liabilities amounted to RMB6,457,849,000 comprised mainly trade and other payables and advances drawn on bill receivables discounted with recourse of RMB5,027,606,000, amount due to related companies of RMB1,028,843,000, provision for warranty of RMB77,061,000, tax payable of RMB35,880,000, bank borrowings – due within one year of RMB205,924,000 and derivative financial instrument of RMB79,796,000. Amount due to Liuzhou Wuling, a substantial shareholder of the Company and the joint venture partner of Wuling Industrial which amounted to RMB1,027,761,000 was recorded under current liabilities. The derivative financial instrument represented the fair value of the conversion option embedded in the convertible loan notes by an independent valuer as at 30 June 2009.

Net current assets decreased to RMB24,280,000 as at 30 June 2009 from RMB82,815,000 as at 31 December 2008, primarily attributable to the inclusion of the derivative financial instrument in relation to the convertible loan notes. As an non-cash item, the derivative financial instrument is not expected to have a material impact on the operating cashflow of the Group.

Non-current liabilities amounted to RMB81,057,000 comprised mainly bank borrowings of RMB5,922,000 and the liability component of the convertible loan notes of RMB71,357,000.

Liquidity and Capital Structure

The Group was operating under a net cash inflow position for the six months ended 30 June 2009, in which net cash from operating activities amounted to RMB552,679,000.

As at 30 June 2009, the Group maintained cash and cash equivalents of RMB770,958,000, which was increased by RMB174,892,000 as compared to the reporting balances as at 31 December 2008.

Group's bank borrowings decreased slightly from RMB217,316,000 as at 31 December 2008 to RMB211,846,000 as at 30 June 2009. Apart from bank borrowings, five-year convertible loan notes with principal amount of HK$100,000,000 and maturity date on 12 January 2014 were issued by the Company to a substantial shareholder during the period for financing the capital injection in Wuling Industrial.

Overall, the Group had cash net of bank borrowings amounting to RMB559,112,000 as at 30 June 2009.

As 30 June 2009, the Group had a gearing ratio of 32.4% calculated based on the Group's total bank borrowings and the Group's net assets, which was slightly increased as compared to the gearing ratio of 30.8% as recorded at 31 December 2008.

Issued capital was RMB3,659,000 as at 30 June 2009 which was the same as the amount recorded on 31 December 2008.

Total shareholders' equity comprised primarily the share premium account, contributed surplus and after deducting the accumulated losses, amounted to RMB105,114,000 as at 30 June 2009. Net asset value per share was RMB 11.5 cents as at 30 June 2009.

Pledge of Assets

As at 30 June 2009, the property held by the Group in Hong Kong with an aggregate value of RMB1,418,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB922,263,000 were pledged to the banks to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

Exposure to Flucatuation in Exchange Rates

As at 30 June 2009, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB6,190,000, Hong Kong dollar bank deposits of an aggregate amount of RMB5,623,000, foreign currency and Hong Kong dollar loan and trade receivable of RMB11,342,000, Hong Kong dollar trade payable of RMB19,727,000 and Hong Kong dollar convertible loan notes with principal value amounting to RMB88,000,000. 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 2009, 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 RMB183,559,000.

Contingent Liabilities
As at 30 June 2009, Wuling Industrial, a subsidiary of the Company provided a corporate guarantee to a financial institution to the extent of RMB200,000,000 in respect of revolving banking facilities granted to Liuzhou Wuling. The directors do not consider it is probable that a claim will be made against Wuling Industrial under this corporate guarantee.

SUPPLEMENTARY NOTES ON THE SINO-FOREIGN JOINT VENTURE ENTERPRISE WITH 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 RMB 391,000,000 ("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 RMB 78,200,000 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 RMB 312,800,000 will be payable within 2 years from the set up date of Wuling Industrial as a sino-foreign joint venture enterprise.

The proposed formation of the sino-foreign joint venture with Liuzhou Wuling has been fully stated in the Company's circular dated 25 June 2007 and was subsequently 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.

On 14 January 2009, by the funds raised from the issue of the convertible loan notes as aforementioned, the Company further injected approximately RMB87,000,000 into Wuling Industrial. Subsequent to this capital injection, the percentage of the paid up capital of the Company in Wuling Industrial was increased from 17.2% to 30.5%.

On 17 August 2009, the Company announced the delay in the payment of the outstanding Subscription Money which amounted to approximately RMB 225,800,000, in which the Company, Liuzhou Wuling and Wuling Industrial were in the process of negotiation due to the fact that more time is required for the Company to arrange for the fund raising activities for the purpose of financing the payment of the outstanding balances.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2009.

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 period ended 30 June 2009 (Period ended 30 June 2008: Nil).

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, as amended from time to time, ("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 these code provisions save for certain deviation from the CG Code provisions in respect of A.2.1.

The CG 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, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the period ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive directors, namely Mr. Ye Xiang (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 information for the six months ended 30 June 2009 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 interim financial information for the six months ended 30 June 2009 have also been reviewed by the Audit Committee.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2009, the Group had approximately 5,100 employees, including directors. Total staff costs for the six months ended 30 June 2009 were approximately RMB162,005,000. The remuneration policy was reviewed in line with the current applicable legislation, market conditions as well as the performance of the Company and the individual.

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

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

INTERIM REPORT

The interim report for the six months ended 30 June 2009 containing all information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the Company at www.dhwuling.com in due course.

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

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

Hong Kong, 21 September 2009

* *For identification purpose only*