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 2009

FINANCIAL HIGHLIGHTS

	2009 *RMB'000*	2008 *RMB'000*	Change (%)
Revenue	**9,888,856**	7,111,911	39.0
Gross profit	**871,899**	772,245	12.9
Profit for the year	**108,619**	136,887	(20.7)
(Loss) profit attributable to the owners of the Company	**(21,928)**	32,647	(167.2)
Profit for the year, adjusting for the change in fair value of the derivative financial instrument embedded with the convertible loan notes issued by the Company	**174,303**	136,887	27.3
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	**43,756**	32,647	34.0

RESULTS

The board of directors (the "Board") of Dragon Hill Wuling Automobile Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	4	**9,888,856**	7,111,911
Cost of sales		**(9,016,957)**	(6,339,666)
Gross profit		**871,899**	772,245
Other income	4	**84,758**	85,057
Distribution costs		**(256,309)**	(187,163)
General and administrative expenses		**(447,800)**	(463,066)
Net gain (loss) on held-for-trading investments		**4**	(245)
Share of results of an associate		**30**	802
Change in fair value of derivative financial instrument	15	**(65,684)**	–
Change in fair value of investment properties		**2,024**	2,153
Finance costs	5	**(49,210)**	(45,014)
Profit before tax		**139,712**	164,769
Income tax expense	6	**(31,093)**	(27,882)
Profit for the year	7	**108,619**	136,887
Other comprehensive income			
Exchange difference arising from translation of foreign operation		**326**	140
Total comprehensive income for the year		**108,945**	137,027
(Loss) profit for the year attributable to:			
Owners of the Company		**(21,928)**	32,647
Minority interests		**130,547**	104,240
		108,619	136,887
Total comprehensive (expenses) income attributable to:			
Owners of the Company		**(21,602)**	32,787
Minority interests		**130,547**	104,240
		108,945	137,027
(Loss) earnings per share	9		
Basic		**RMB(2.39) cents**	RMB3.56 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	NOTES	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**668,500**	570,065
Prepaid lease payments		**44,975**	13,912
Premium on prepaid lease payments		**1,022**	1,047
Investment properties		**25,141**	6,172
Intangible assets		**928**	928
Investment in an associate		**2,434**	3,304
Available-for-sale investments		**495**	495
Deposits for trading rights		**180**	180
Deposits for acquisition of property, plant and equipment		**47,175**	51,170
		790,850	647,273
CURRENT ASSETS			
Inventories	*10*	**795,689**	600,273
Loans receivable	*11*	**450**	68
Trade and other receivables	*12(i)*	**3,995,094**	2,861,209
Bills receivables discounted with recourse	*12(ii)*	**1,335,778**	342,008
Prepaid lease payments		**937**	201
Held-for-trading investments		**7**	3
Client trust bank accounts		**7,235**	2,350
Pledged bank deposits		**835,653**	624,601
Bank balances and cash		**812,525**	596,066
		7,783,368	5,026,779
CURRENT LIABILITIES			
Trade and other payables	*13(i)*	**5,167,274**	3,279,598
Advances drawn on bills receivables discounted with recourse	*13(ii)*	**1,335,778**	342,008
Amount due to shareholders		**815,106**	989,580
Amount due to an associate		**11,371**	20,467
Provision for warranty	*14*	**111,739**	83,226
Tax payable		**26,180**	31,787
Derivative financial instrument	*15*	**83,861**	–
Convertible loan notes	*15*	**5,115**	–
Bank borrowings – due within one year		**220,566**	197,028
Obligations under finance leases – due within one year		**254**	270
		7,777,244	4,943,964
NET CURRENT ASSETS		**6,124**	82,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**796,974**	730,088

	NOTES	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**17,534**	20,288
Obligations under finance leases – due after one year		**158**	412
Deferred tax liabilities		**6,833**	2,158
Convertible loan notes	*15*	**72,287**	–
		96,812	22,858
		700,162	707,230
CAPITAL AND RESERVES			
Share capital	*16*	**3,659**	3,659
Reserves		**122,428**	143,085
Equity attributable to owners of the Company		**126,087**	146,744
Minority interests		**574,075**	560,486
		700,162	707,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a limited company incorporated in Bermuda under The Companies Act 1981 (as amended) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the head office and principal place of business of the Company are located at 35th Floor, Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong.

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 the procurement services of raw materials, water and power supply.

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.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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
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
Hong Kong (International Financial Reporting Interpretations Committee) ("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
HK(IFRIC) – Int 18	Transfers of Assets from Customers
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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group and the financial statements of the Company for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. Maturity analysis of the Group's and the Company's maximum exposure to financial guarantee contracts are disclosed. The expanded disclosure is applied retrospectively by the Group and the Company.

HKAS23 (Revised 2007) Borrowing Costs

In previous years, the Group expenses all borrowings costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalize all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009 in accordance with the transitional provision in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods. In the current year, there was no impact to the Group's financial statements as no borrowing costs have been capitalized.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the 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.

HKFRS 9 "Financial Instruments" ("HKFRS 9") introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's and the Company's financial assets.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group and the financial statements of the Company.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" ("HKFRS 8") 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" ("HKAS 14")) 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 a 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 operating 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.

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 (including property investment, securities dealing and margin finance services)

Segment profit represents the profit caused by each segment without the allocation of central administrative costs, bank interest income, change in fair value of investment properties, change in fair value of derivative financial instrument, net gain or loss on held-for-trading investments, share option expenses, share of results of an associate and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance.

The assets of the Group are allocated based on the operations of the segments. However, investment in an associate, pledged bank deposits, and bank balances and cash, are not entirely allocated to the segments.

The liabilities of the Group are allocated based on the operations of the segments. However, amounts due to shareholders, derivative financial instrument, convertible loan notes, bank borrowings, tax payables and deferred tax liabilities (included in others), are not entirely allocated to the segments.

Inter-segment sales are charged at prevailing market prices.

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

	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 year ended 31 December 2009							
Revenue							
External sales	3,214,228	5,049,408	962,324	661,167	1,729	–	9,888,856
Inter-segment sales	338,678	62,776	115,100	3,207,521	–	(3,724,075)	–
Total	3,552,906	5,112,184	1,077,424	3,868,688	1,729	(3,724,075)	9,888,856
Segment profit (loss)	211,454	4,742	16,206	53,435	(10,221)		275,616
Bank interest income							20,553
Change in fair value of investment properties							2,024
Change in fair value of derivative financial instrument							(65,684)
Net gain (loss) on held-for-trading investments							4
Share option expenses							(945)
Central administration costs							(42,676)
Share of results of an associate							30
Finance costs							(49,210)
Profit before tax							139,712
Other information							
Capital additions	44,312	97,153	4,175	31,042	87		176,769
Depreciation of property, plant and equipment	24,868	26,096	3,089	10,455	977		65,485
Release of prepaid lease payments	–	129	–	–	–		129
Release of premium on prepaid lease payments	–	25	–	–	–		25
Impairment of trade receivables	254	309	–	–	11		574
(Gain) loss on disposal of property, plant and equipment	165	(780)	2	(77)	(4,380)		(5,070)
(Reversal of) allowance for inventories	14,152	(26,017)	–	–	–		(11,865)
At 31 December 2009							
Assets							
Segment assets	2,019,546	3,344,288	393,983	1,126,143	39,646		6,923,606
Investment in an associate							2,434
Pledged bank deposits							835,653
Bank balances and cash							812,525
Consolidated assets							8,574,218
Liabilities							
Segment liabilities	1,811,342	2,428,386	208,806	2,162,029	16,011		6,626,574
Amounts due to shareholders							815,106
Derivative financial instrument							83,861
Convertible loan notes							77,402
Bank borrowings							238,100
Others							33,013
Consolidated liabilities							7,874,056

	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 year ended 31 December 2008							
Revenue							
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 profit (loss)	131,959	46,290	14,113	54,127	(7,710)		238,779
Bank interest income							13,249
Change in fair value of investment properties							2,153
Net gain (loss) on held-for-trading investments							(245)
Central administration costs							(44,955)
Share of results of an associate							802
Finance costs							(45,014)
Profit before tax							164,769
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
Release of prepaid lease payments	–	201	–	–	–		201
Release of premium on prepaid lease payments	–	25	–	–	–		25
Impairment of trade receivables	1,305	840	1,075	–	13		3,233
(Gain) loss on disposal of property, plant and equipment	(937)	288	–	(104)	188		(565)
Allowance for inventories	16,104	–	–	–	–		16,104
At 31 December 2008							
Assets							
Segment assets	1,472,501	2,209,577	323,172	396,459	48,372		4,450,081
Investment in an associate							3,304
Pledged bank deposits							624,601
Bank balances and cash							596,066
Consolidated assets							5,674,052
Liabilities							
Segment liabilities	1,091,201	1,347,475	140,894	1,135,075	11,336		3,725,981
Amount due to a shareholder							989,580
Bank borrowings							217,316
Others							33,945
Consolidated liabilities							4,966,822

Geographical information

(a) *Revenue from external customers*

The Group's operations are located in Hong Kong and the PRC (excluding Hong Kong). The following table provides an analysis of the Group's revenue by geographical market based on the location of customers, irrespective of the origin of the goods and services.

	Revenue by geographical market	
	2009	2008
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**9,887,127**	7,109,609
Hong Kong	**1,729**	2,302
Consolidated	**9,888,856**	7,111,911

(b) *Non-current assets*

The following is an analysis of the carrying amount of non-current assets, excluding financial instruments, based on the geographical location of the assets located:

	Carrying amount of non-current assets	
	2009	2008
	RMB'000	*RMB'000*
Hong Kong	**28,493**	18,870
Philippines	**180**	180
The PRC (excluding Hong Kong)	**761,682**	627,728
	790,355	646,778

Information about a major customer

Revenue of approximately RMB302,375,000, RMB3,414,082,000 and RMB5,098,896,000 (2008: RMB338,519,000, RMB2,898,253,000 and RMB3,694,035,000) was derived from sales to a single customer in respect of the trading of raw materials, water and power supply's segment, engines and parts' segment and automotive components and accessories' segment respectively.

4. REVENUE AND OTHER INCOME

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

	2009 *RMB'000*	2008 *RMB'000*
Sales of goods	**9,887,127**	7,109,609
Commission and interest income from securities dealing and margin finance	**1,453**	1,561
Gross property rental income	**276**	741
	9,888,856	7,111,911
Other income	**84,758**	85,057
	9,973,614	7,196,968

Details of other income are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Sales of scrap materials and parts	**47,514**	55,965
Bank interest income	**20,553**	13,249
Service income on repairs and maintenance	**2,784**	7,381
Foreign exchange gains, net	**–**	819
Machinery rental income	**1,083**	505
Dividend income from held-for-trading investments	**52**	16
Project income	**5,606**	3,466
Gain on disposal of property, plant and equipment	**5,070**	565
Others	**2,096**	3,091
	84,758	85,057

5. FINANCE COSTS

	2009 *RMB'000*	2008 *RMB'000*
Interests on:		
– borrowings wholly repayable within five years	**9,385**	12,515
– borrowings not wholly repayable within five years	**239**	866
– advances drawn on bills receivables	**31,606**	31,582
– obligations under finance leases	**50**	51
– convertible loan notes *(Note 15)*	**7,930**	–
	49,210	45,014

6. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax		
Current	**34,119**	36,741
Tax deduction in respect of the acquisition of qualified assets in the PRC	**(5,351)**	(2,139)
Overprovision in prior years	**(2,350)**	(8,677)
	26,418	25,925
Deferred tax		
Current year	**4,675**	1,964
Attributable to a change in tax rate	**–**	(7)
	4,675	1,957
	31,093	27,882

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% of the estimated assessable profit for both years.

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

Under the Law of the PRC on Enterprise Income Tax (the "New Law") and Implementation Regulation of the New Law, the tax rate of entities established in the PRC is 25% from 1 January 2008 onwards.

Pursuant to the tax notice, Caishui [2001] No. 202, and the Implementation Regulations of the New Law issued by the State Council of the PRC on 6 December 2008, other than Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") which was subject to PRC income tax rate of 25% for the year ended 31 December 2008, all the Group's major PRC operating subsidiaries would continue to enjoy a preferential income tax rate of 15% until 2010 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 exceeded 70% of their total income.

For the year ended 31 December 2009, pursuant to the tax notice, Liuzhou Liunan [2010] No. 001, Wuling Industrial, also became entitled to a preferential income tax rate of 15% in 2009 and 2010.

The New Law also requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008. Deferred tax of RMB4,595,000 (2008: RMB2,133,000) has been provided in full in respect of the undistributed earnings of the Group's PRC subsidiaries as a charge to the consolidated statement of comprehensive income.

7. PROFIT FOR THE YEAR

	2009	2008
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**5,176**	4,342
Other staff costs	**360,827**	311,447
Retirement benefit scheme contributions, excluding directors	**46,447**	52,285
Equity-settled share-based payments – other staff	**–**	4,814
Total staff costs	**412,450**	372,888
Gross property rental income	**276**	741
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**(11)**	(79)
Net rental income	**265**	662
Auditor's remuneration	**2,207**	2,226
Cost of inventories recognised as an expense	**9,016,957**	6,339,666
Depreciation of property, plant and equipment	**65,485**	58,309
Gain on disposal of property, plant and equipment	**(5,070)**	(565)
Impairment losses recognised on trade receivables	**574**	3,233
Release of prepaid lease payments (included in general and administrative expenses)	**129**	49
Release of premium on prepaid lease payments (included in general and administrative expenses)	**25**	25
Research and development expenses	**42,735**	40,259
(Reversal of) allowance for inventories (included in cost of sales)	**(11,865)**	16,104

8. DIVIDENDS

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

9. (LOSS) EARNINGS PER SHARE

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

	2009	2008
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(21,928)**	32,647
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**917,288**	917,288

The computation of diluted (loss) earnings per share for either year does not include (i) the assumed exercise of the outstanding share options as the exercise price was higher than the market price of the Company's shares throughout each of the two years ended 31 December 2009 and (ii) the assumed conversion of the Company's convertible loan notes issued in 2009.

10. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**403,044**	251,371
Work in progress	**65,271**	122,809
Finished goods	**327,374**	226,093
	795,689	600,273

11. LOANS RECEIVABLE

Loans receivable comprise margin clients accounts receivable of RMB450,000 (2008: RMB68,000).

The margin clients accounts receivable are secured by the underlying pledged securities, repayable on demand and bear interest at effective rates of 10% to 11% (2008: 10% to 11%) per annum. No aged analysis is disclosed, as in the opinion of the directors of the Company, 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

	2009 RMB'000	2008 RMB'000
Trade and bills receivables		
– related party *(note a)*	**2,490,458**	2,062,678
– Liuzhou Wuling Group *(note b)*	**74,465**	70,082
– third parties	**1,270,221**	567,683
	3,835,144	2,700,443
Less: Allowance for doubtful debts	**(7,080)**	(8,647)
	3,828,064	2,691,796
Other receivables:		
Prepayments paid for expenses	**5,348**	4,153
Prepayments paid for purchase of raw materials	**137,800**	110,256
Value-added tax recoverable	**8,415**	3,962
Others	**15,467**	51,042
	167,030	169,413
	3,995,094	2,861,209

Notes:

(a) The related party is SAIC-GM-Wuling Automobile Co., Limited ("SGMW") in which Liuzhou Wuling Motors Company Limited ("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 and bills receivables based on the invoice date (net of allowance for doubtful debts) as at the end of the reporting period is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 90 days	**3,693,060**	2,676,893
91 – 180 days	**48,095**	14,474
181 – 365 days	**86,873**	117
Over 365 days	**36**	312
	3,828,064	2,691,796

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables already discounted to banks with recourse with a maturity period of less than 180 days. The Group retains all the risks and rewards of such bills and accordingly, the Group recognizes the full amount of the discount proceeds as liabilities as set out in Note 13(ii).

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

(i) Trade and other payables

The aged analysis of the Group's trade and bills payables at the end of the reporting period is as follows:

	2009	2008
	RMB'000	*RMB'000*
Trade and bills payables:		
– third parties	**4,633,420**	2,992,433
Trade and bills payables:		
0 – 90 days	**4,508,295**	2,965,190
91 – 180 days	**95,714**	8,125
181 – 365 days	**8,603**	15,075
Over 365 days	**20,808**	4,043
	4,633,420	2,992,433
Other payables and accruals	**533,854**	287,165
	5,167,274	3,279,598

The settlement terms of the trade payables arising from the Group's securities dealing and brokerage business is two days after the trade date. The Group is granted average credit period of 90 days to 180 days by its trade suppliers for purchase of goods.

(ii) Advances drawn on bills receivables discounted with recourse

The amounts represent the Group's bank borrowings secured by bills discounted to banks with recourse (see Note 12(ii)). The ranges of effective interest rates per annum in respect of these bank borrowings are as follows:

	2009	2008
Effective interest rates per annum	**1.50% to 2.82%**	3.50% to 6.24%

14. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2008	64,279
Additional provision in the year	84,123
Utilization of provision	(65,176)
At 31 December 2008	83,226
Additional provision in the year	87,153
Utilization of provision	(58,640)
At 31 December 2009	111,739

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, automobile components and engines customers.

15. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with a principal sum of HK$100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling (Hong Kong) Holdings Limited ("Wuling HK"), 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 sum into ordinary shares of the Company on any business days commencing from 12 January 2010 up to 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 11.64%.

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

	Liability component *RMB'000*	Conversion option component *RMB'000*
At date of issue	**69,755**	18,314
Effective interest expense	**7,930**	–
Change in fair value during the year	**–**	65,684
Exchange difference	**(283)**	(137)
At 31 December 2009	**77,402**	83,861
Less: amount included in current liabilities	**(5,115)**	(83,861)
Amount due after one year	**72,287**	–

The methods and assumptions applied for the valuation of CN 2014 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was 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 31 December 2009	At date of issue
Share price	**HK$1.18**	HK$0.49
Conversion price	**HK$0.74**	HK$0.74
Expected dividend yield	**0%**	0%
Volatility	**63.00%**	46.64%

16. SHARE CAPITAL

	2009 & 2008
	RMB'000
Authorized:	
25,000,000,000 ordinary shares of HK$0.004 each	100,000
1,521,400,000 convertible preference shares of HK$0.001 each	1,521
	101,521
Issued and fully paid:	
917,288,049 ordinary shares of HK$0.004 each	3,659

17. EVENT AFTER THE REPORTING DATE

In March, 2010, the Company issued and allotted 58,220,000 and 25,788,000 shares to independent third parties and Wuling HK respectively, raising total net proceeds of approximately HK$67.8 million (RMB59.7 million). Details of such issue and allotment of shares of the Company were set out in the Company's announcements dated 21 January 2010 and 12 March 2010, and the Company's circular dated 8 February 2010. The net proceeds were subsequently injected into Wuling Industrial as partial settlement of the outstanding subscription money payable to Wuling Industrial, which in turn were used by Wuling Industrial as additional working capital.

As a result of the aforementioned issue and allotment of new shares, the conversion price of the convertible loan notes as disclosed in note 15 was adjusted from HK$0.74 to HK$0.73 with effect from 12 March 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review – By Key Business Segments

The business performance and evaluation of the Group's four main business segments namely (1) engines and parts; (2) automotive components; (3) specialized vehicles; and (4) trading and supply services for the year 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 year ended 31 December 2009 was RMB3,214,228,000, representing an increase of 20.0% as compared to last year. Operating profits for the year was RMB211,454,000, representing an increase of 60.2% as compared to last year.

The engines and parts division undertaken by Wuling Liuji continued to be the major contributor to the Group's operating profits for the year 2009.

During this year, 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 exceeded 600,000 units, a record figure in history. The significant volume growth of business of SAIC GM Wuling Automobile Co., Limited ("SGMW") and increasing orders from other customers in 2009 benefited the business performance of this division. Besides, due to an increase in the volume of sale to other customers, percentage share of the total sale volume by SGMW decreased from 90% to 85% in this year. Wuling Liuji is currently supplying its engine products to a number of motor vehicles' manufacturers including SGMW, FAW Haima, Gonow Auto, Ziyang Nanjun Auto, Beiqi Foton and Mianyang Huaxin, etc. In addition, its products have also begun to export to the overseas markets including Columbia and the United States.

Operating margin improved to 6.6% as compared to 4.9% recorded in last year, which was attributable to the improvement in gross margin resulting from scale operations and stable material costs. Meanwhile, the division incurred research and development expenses of approximately RMB19,146,000 during the year. 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 engines produced by Wuling Liuji are mainly for the economical-typed mini-vehicles. Its products are state-designated products exempted from quality surveillance inspection and awarded as the "King of Mini Vehicles Engines". As the largest mini-vehicles' engines manufacturer in China, in term of sale volume, Wuling Liuji has been the leading enterprise in China for a consecutive of 4 years. In addition, its "LJ" model has also been recognized as a reputable trademark in the Guangxi Province during the year. These products 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 1,000,000 sqm., with a total workforce of approximately 1,840 as at the end of 2009 in which over 310 are technical and management staff. Total production capacity for the assembly functions at present is about 800,000 units a year.

The new production line for the nonferrous metallic parts for the engine's cylinder, which commenced operation 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 started another re-engineering project on the foundry of cylinder block and cylinder head further strengthen its capability in the engines business with a targeted capacity of 600,000 units, which is planned to be completed by stage in next 2 years.

During the year, Wuling Liuji successfully expanded its businesses to other automobile manufactures. Approximately 15% of the total sales volume in 2009 was originated from customers other than SGMW. Meanwhile, the launches of new products such as the generators and the agricultural machinery will also bring in new business opportunities to the division. This strategy, which aims at promoting a more diversified portfolio of products and customers, will further the long term business potential of this division.

The Group expects the strong market demands for SGMW and other customers' models will continue in 2010 which will benefit the business performance in this division.

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

Turnover (based on external sales) of the automotive components division for the year ended 31 December 2009 was RMB5,049,408,000, representing a significant increase of 60.6% as compared to last year. Operating profits for the year was RMB4,742,000.

The automotive components division undertaken by Wuling United experienced a strong growth in revenue in the year 2009 and continued to be the largest contributor to the total revenue of the Group. Wuling United currently operates the largest manufacturing base of automotive components in the south-western part of China and is recognized as the Top 100 Automotive Components Enterprise in China in term of its comprehensive strength of competitiveness.

During this year, Wuling United, being the key supplier supplying a majority portion of the key automotive components to SGMW, registered a successive year of record revenue. This remarkable result was mainly attributable to the continuous strong market demands for the vehicles produced by SGMW. Total sales volume exceeded 1,000,000 units/sets, representing an increase of over 60% as compared to last year, 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 and additional transportation cost.

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 year. This overloaded operating environment was in particular undesirable for the new facility in Qingdao, which incurred additional transportation cost and drove up the cost of production, had resulted in a loss making situation in this new plant for the year 2009. With the installation of additional plant and machinery and better operation stability, such undesirable condition has gradually been improved.

Wuling United operates six specialized facilities which cover the brake, the chassis assembly, automotive accessories, plastic components, welding parts and the seat sets. Its main facilities are located in Liuzhou and Qingdao which ensure closer proximity to the customer's needs in both the northern and southern part of China. Wuling United supplies a wide range of products which currently comprises twenty-three 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. Total capacity at present has exceeded 1,000,000 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 sqm., with a total workforce of 2,410 as at the end of 2009, in which about 570 are technical and management staff.

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, implementation of appropriate measures in lowering the cost of production of the Qingdao factory will benefit the profitability of the division for the coming years. Going forward, Wuling United will continue to actively upgrade its product standard and capability. Through the implementation of a series of enhancement projects on organization structure, quality control and production management, it is targeted that the production quality will be improved. Strategically, Wuling United will gradually shift from its original focus on supplying to the commercial-typed vehicles to the higher value-added passenger vehicles segment. Meanwhile, to pursue the long term growth potential of the enterprise, the division will continue to undertake various expansion and innovation plans as well as other flexible co-operation projects with the large multinational corporations.

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 2009 was RMB962,324,000, representing an increase of 56.2% as compared to last year. Operating profits for the year was RMB16,206,000, representing an increase of 14.8% as compared to last year.

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

During this year, through active marketing and promotion programs, Wuling Specialized Vehicles sold more than 30,000 specialized vehicles, representing an impressive increase of 50% as compared to last year.

Operating margin reduced to 1.7% from 2.3% as recorded in last year 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.

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 sightseeing bus, golf cart, electrical truck, electrical community car police car, mini fire engine, postal van, ambulance, container wagon, and refrigerator vehicle, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Products are mainly sold in the domestic market covering the 24 provinces and cities across the country, but have recently expanded to the overseas markets such as USA, Korea, Saudi Arabia, South Africa, UAE and Vietnam, etc.

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. Wuling Specialized Vehicles is currently the first enterprise which possesses the capability for manufacturing new energy electrical mini-truck in China. The division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Current products include electrical sight-seeing bus, electrical community car and electrical trucks, etc. The new energy vehicle will become an important part of the corporate strategic plan.

The factories of Wuling Specialized Vehicles in Liuzhou occupy a total floor area of approximately 35,000 sqm., with a total workforce of approximately 360 as at the end of 2009, in which about 90 are technical and management staff. Total capacity at present is about 50,000 vehicles a year. As mentioned above, the Group has plan to establish a new production plant in Qingdao to facilitate geographical diversification. The first phase of the new Qingdao plant which will start operation in the second quarter of 2010 will provide a capacity of about 5,000 vehicles a year.

Going forward, Wuling Specialized Vehicles will continue to undertake research and development projects for new product, technical and capability improvement focusing on those specialized vehicles with the “neat and smart” quality. The division will continue to consolidate its existing business and at the same time explore opportunities both locally and overseas with an innovative strategy. On the back of our basic business principle of “Supplying Favourite Vehicles to the Ordinary People”, the division will diligently and aggressively pursuing opportunities in consistent with the growing pace of China automobile industry, aiming at delivering the top quality specialized vehicles to the general public consumer market.

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 year ended 31 December 2009 remained stable at RMB661,167,000. Inter-segment sales which were primarily contributed from the sales to Wuling United was RMB3,207,521,000, representing an increase of 43.7% compared to last year. Operating profits for the year was RMB53,435,000.

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 immediate holding company, Wuling Industrial itself maintains a technical centre, a training centre and two operating arms which provide procurement services to the group companies, customers and suppliers for the supply of raw materials and energy. 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 5,100 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 main businesses in the automotive components industry 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.

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

This division incurred approximately RMB20,737,000 research and development expenses in this year. 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.

Financial Review

Statement of Comprehensive Income

Group's turnover for the year ended 31 December 2009 was RMB9,888,856,000 representing a significant 39% increase as compared to last year which was 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 year.

Gross profits for the year ended 31 December 2009 was RMB871,899,000, representing a 12.9% increase as compared to last year. This was a result 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 year which incurred additional transportation costs and drove up the cost of production for this operation. Accordingly, gross margin of the Group was slightly declined to 8.8% in this year. 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 RMB65,684,000 relating to the convertible 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 RMB108,619,000 and a loss attributable to equity holders of RMB21,928,000.

On the basis of the exclusion of the aforementioned fair value adjustment, net profits and profit attributable to equity holders will be adjusted to RMB174,303,000 and RMB43,756,000 respectively, representing respective increases of 27.3% and 34.0% as compared to last year.

On 12 January 2009, the Company issued convertible notes with principal amount of HK$100,000,000 to a substantial shareholder, Wuling HK, 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 year 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 RMB84,758,000 for the year ended 31 December 2009, which was stable as compared to last year. The decrease in the sale values of scrap materials was compensated by the increases in other income items.

Distribution costs comprised primarily transportation costs, warranty expenses and other marketing expenses was in aggregate RMB256,309,000 for the year ended 31 December 2009, representing an increase of 36.9%, which was in line with the increase in turnover. Besides, the increase was also attributable to the significant increase in the transportation cost incurred by the automotive components and 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 RMB447,800,000 for the year ended 31 December 2009, representing a slight decrease of 3.3% as compared to last year.

Research and development expenses for the year ended 31 December 2009 amounted to RMB42,735,000. Research and development expenses were mainly for new products and continuing development of new models projects, and certain business development plans.

Finance costs for the year ended 31 December 2009 amounted to RMB49,210,000, representing an increase of 9.3% as compared to last year. The balances included the finance cost of RMB7,930,000 incurred for the abovementioned convertible notes issued by the Company.

Taking into account of the loss on fair value adjustment on the convertible notes as aforementioned, the Company recorded a loss per share of RMB2.39 cents for the year ended 31 December 2009. On the basis of the exclusion of the aforementioned fair value adjustment, the Company will record an earnings per share for of RMB4.77 cents for the year, representing an increase of 34% as compared to last year.

Financial Positions

As at 31 December 2009, total assets and total liabilities of the Group stood at RMB8,574,218,000 and RMB7,874,056,000 respectively.

Non-current assets amounted to RMB790,850,000 comprised mainly property, plant and equipment and prepaid lease payment, etc.

Current assets amounted to RMB7,783,368,000 comprised mainly inventory of RMB795,689,000, trade and other receivables and bill receivables discounted with recourse of RMB5,330,872,000, bank and cash balances (inclusive of pledged bank deposits) of RMB1,648,178,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,490,458,000 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 RMB1,648,178,000, in which RMB835,653,000 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 RMB574,425,000 as at 31 December 2009.

Current liabilities amounted to RMB7,777,244,000 comprised mainly trade and other payables and advances drawn on bill receivables of RMB6,503,052,000, amount due to related companies of RMB826,477,000, provision for warranty of RMB111,739,000, tax payable of RMB26,180,000, bank borrowings – due within one year of RMB220,566,000 and derivative financial instrument of RMB83,861,000. Amount due to Liuzhou Wuling, a substantial shareholder of the Company and the joint venture partner of Wuling Industrial which amounted to RMB of 811,590,000 was recorded under current liabilities. The derivative financial instrument represented the fair value of the conversion option embedded in the convertible notes by an independent valuer as at 31 December 2009.

Net current assets decreased to RMB6,124,000 as at 31 December 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 notes.

Non-current liabilities amounted to RMB96,812,000 comprised mainly bank borrowings of RMB17,534,000 and the liability component of the convertible notes of RMB72,287,000.

Liquidity and Capital Structure

As at 31 December 2009, the Group maintained cash and cash equivalents of RMB802,830,000, which was increased by RMB206,764,000 as compared to the reporting balances as at 31 December 2008.

Group's bank borrowings increased slightly from RMB217,316,000 as at 31 December 2008 to RMB238,100,000 as at 31 December 2009. Apart from bank borrowings, A five-year convertible notes with maturity date on 12 January 2014 was issued by the Company to a substantial shareholder during the year for financing the capital injection in Wuling Industrial.

Overall, the Group had cash net of bank borrowings amounting to RMB574,425,000 as at 31 December 2009.

At 31 December 2009, the Group had a gearing ratio of 34.0% 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 30.7% as recorded at 31 December 2008.

Issued capital was RMB3,659,000 as at 31 December 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 RMB126,087,000 as at 31 December 2009. Net asset value per share was 13.7 RMB cents as at 31 December 2009.

DIVIDEND

No interim dividend was declared or paid during the year (2008: Nil). The directors do not recommend the payment of a final dividend (2008: Nil).

ISSUE OF NEW SHARES SUBSEQUENT TO THE YEAR END

On 12 March 2010, the Company issued a total number of 84,008,000 new shares to Wuling HK, a substantial shareholder, and a number of third party investors at HK$0.85 per share. Net proceeds amounting to approximately HK$67,800,000 from the new issue had also 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 30.5% to 37.4%.

SUPPLEMENTARY NOTES ON THE SINO-FOREIGN JOINT VENTURE ENTERPRISE WITH LIUZHOU WULING MOTORS COMPANY LIMITED ("LIUZHOU WULING")

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

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

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

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

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

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

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, utilizing the funds raised from the issue of the convertible 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 RMB225,800,000, 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.

On 12 March 2010, the Company issued a total number of 84,008,000 new shares to Wuling HK, a substantial shareholder, and a number of third party investors at HK$0.85 per share. Net proceeds amounting to approximately HK$67,800,000 from the new issue had also 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 30.5% to 37.4%.

On 12 March 2010, the Company further announced that the balance of the outstanding Subscription Money which amounts to approximately RMB166,300,000 will be financed by the Company through other financial means, and the Company will make an announcement in relation thereto in compliance with the Listing Rules accordingly.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year (2008: Nil).

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has applied the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited, as amended from time to time, ("Stock Exchange") 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. During the year ended 31 December 2009, the 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. However, after taking into account of the CG Code provision A.2.1, with effect from 4 January 2010, Mr. Sun Shaoli has been appointed to replace Mr. Lee Shing as Chairman of the Company and whereas Mr. Lee Shing, remains as an executive Director and the Chief Executive Officer of the Company, has been re-designated and appointed as Vice-chairman of the Company.

The Board believed that after the appointment of Mr. Sun Shaoli as the Chairman of the Company, the division of responsibilities between the Chairman and the Chief Executive Officer could be clearly defined and identified, which enhances the corporate governance 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 year.

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.

The financial statements for the year ended 31 December 2009 have been reviewed by the Audit Committee.

ANNUAL REPORT

The annual report for the year ended 31 December 2009 containing all information required by Appendix 16 to 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. Sun Shaoli (Chairman), Mr.Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Wei Hongwen, Mr. Zhong Xianhua, Ms. Liu Yaling 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
Sun Shaoli
Chairman

Hong Kong, 26 April 2010

* *For identification purpose only*