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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 2010

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 2010.

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 STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	NOTES	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Revenue	3	**5,614,563**	4,813,928
Cost of sales		**(5,081,669)**	(4,409,568)
Gross profit		**532,894**	404,360
Other income		**55,845**	40,162
Distribution costs		**(158,610)**	(78,312)
General and administrative expenses		**(226,877)**	(195,705)
Research and development expenses		**(81,040)**	(40,979)
Net gain on held-for-trading investments		**-**	3
Gain on disposal of available-for-sale investments		**813**	-
Change in fair value of investment properties	8	**877**	260
Gain on disposal of an associate		**1,572**	-
Share of results of an associate		**(1,715)**	645
Change in fair value of derivative financial instrument	13	**43,853**	(61,437)
Finance costs		**(30,729)**	(22,004)
Profit before taxation		**136,883**	46,993
Income tax expense	4	**(22,945)**	(17,126)
Profit for the period	5	**113,938**	29,867
Other comprehensive income (expense):			
Exchange differences arising from translation of foreign operation		**593**	(190)
Total comprehensive income for the period		**114,531**	29,677
Profit (loss) for the period attributable to:			
Owners of the Company		**64,274**	(41,440)
Non-controlling interests		**49,664**	71,307
		113,938	29,867
Total Comprehensive income (expense) attributable to:			
Owners of the Company		**64,867**	(41,630)
Non-controlling interests		**49,664**	71,307
		114,531	29,677
Earnings (loss) per share	6		
- Basic		**RMB6.64 cents**	RMB(4.52) cents
- Diluted		**RMB2.22 cents**	RMB(4.52) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	NOTES	**30 June 2010 RMB'000 (Unaudited)**	31 December 2009 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**772,006**	668,500
Prepaid lease payments		**32,762**	44,975
Premium on prepaid lease payments		**1,010**	1,022
Investment properties	8	**25,813**	25,141
Intangible assets		**928**	928
Interest in an associate	9	**-**	2,434
Available-for-sale investments		**360**	495
Deposits for trading rights		**179**	180
Deposits paid for acquisition of property, plant and equipment		**83,396**	47,175
		916,454	790,850
CURRENT ASSETS			
Inventories		**651,479**	795,689
Loan receivables		**-**	450
Trade and other receivables	10(i)	**4,997,165**	3,995,094
Bills receivables discounted with recourse	10(ii)	**1,327,808**	1,335,778
Prepaid lease payments		**697**	937
Held-for-trading investments		**7**	7
Client trust bank accounts		**7,465**	7,235
Pledged bank deposits		**728,234**	835,653
Cash and cash equivalents		**533,821**	812,525
		8,246,676	7,783,368
CURRENT LIABILITIES			
Trade and other payables	11(i)	**5,738,272**	5,167,274
Advances drawn on bills receivables discounted with recourse	11(ii)	**1,327,808**	1,335,778
Amount due to shareholders	17	**797,818**	815,106
Amount due to an associate		**-**	11,371
Provision for warranty	12	**114,484**	111,739
Tax payable		**25,471**	26,180
Derivative financial instrument	13	**39,598**	83,861
Convertible loan notes – current portion	13	**2,437**	5,115
Bank borrowings - due within one year	14	**162,291**	220,566
Obligations under finance leases - due within one year		**157**	254
		8,208,336	7,777,244
NET CURRENT ASSETS		**38,340**	6,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**954,794**	796,974

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	NOTES	**30 June 2010 RMB'000 (Unaudited)**	31 December 2008 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year	14	**16,819**	17,534
Obligations under finance leases - due after one year		**118**	158
Deferred tax liabilities		**7,364**	6,833
Convertible loan notes – non-current portion	13	**73,259**	72,287
		97,560	96,812
		857,234	700,162
CAPITAL AND RESERVES			
Share capital	15	**3,954**	3,659
Reserves		**267,414**	122,428
Equity attributable to owners of the Company		**271,368**	126,087
Non-controlling interests		**585,866**	574,075
		857,234	700,162

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009(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 non-controlling 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
Profit for the period	-	-	-	-	-	-	-	19,512	19,512	59,240	78,752
Exchange difference arising from translation of foreign operation	-	-	516	-	-	-	-	-	516	-	516
Total comprehensive income for the period	-	-	516	-	-	-	-	19,512	20,028	59,240	79,268
Deregistration of a subsidiary (note iv)	-	-	-	-	-	-	-	-	-	(153)	(153)
Recognition of equity settled share –based payments	-	-	-	-	945	-	-	-	945	-	945
Transfer to accumulated losses on lapse of share options	-	-	-	-	(5,293)	-	-	5,293	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(36,267)	(36,267)
Transfers	-	-	-	-	-	8,892	-	(8,892)	-	-	-
Subtotal	-	-	-	-	(4,348)	8,892	-	(3,599)	945	(36,420)	(35,475)
At 31 December 2009 (audited)	3,659	279,305	(2,883)	97,435	945	52,151	18,505	(323,030)	126,087	574,075	700,162
Profit for the period	-	-	-	-	-	-	-	64,274	64,274	49,664	113,938
Exchange difference arising from translation of foreign operation	-	-	593	-	-	-	-	-	593	-	593
Total comprehensive income for the period	-	-	593	-	-	-	-	64,274	64,867	49,664	114,531
Issue of new shares (note 15)	295	62,343	-	-	-	-	-	-	62,638	-	62,638
Cost of issuing new shares	-	(1,088)	-	-	-	-	-	-	(1,088)	-	(1,088)
Recognition of equity settled share-based payments	-	-	-	-	18,864	-	-	-	18,864	-	18,864
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(37,873)	(37,873)
Transfers	-	-	-	-	-	15,133	-	(15,133)	-	-	-
Subtotal	295	61,255	-	-	18,864	15,133	-	(15,133)	80,414	(37,873)	42,541
At 30 June 2010 (unaudited)	3,954	340,560	(2,290)	97,435	19,809	67,284	18,505	(273,889)	271,368	585,866	857,234

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 arising from a capital reduction on 19 June 2006.

(ii) According to the relevant requirement in the memorandum of association of the subsidiaries in the People's Republic of China ("PRC"), 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.

(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 2009, 柳州五菱柳機汽車零部件工貿有限責任公司, being a 95% owned subsidiary of Wuling Industrial, was deregistered. No gain or loss was resulted from the deregistration.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(138,593)**	552,679
Net cash used in investing activities		
Decrease (increase) in pledged bank deposits	**107,454**	(297,662)
Proceeds from disposal of an associate	**2,291**	-
Proceeds from disposal of property, plant and equipment	**870**	18,220
Purchase of property, plant and equipment	**(95,003)**	(29,379)
Deposits paid for acquisition of property, plant and equipment	**(83,396)**	(58,255)
Other investing cash flows	**23,446**	(13,327)
	(44,338)	(380,403)
Net cash (used in) from financing activities		
Bank borrowings raised	**107,502**	70,000
Proceeds from issue of new shares, net of share issue costs	**61,550**	-
Repayment of bank borrowings	**(166,272)**	(75,539)
Dividends paid to non-controlling interests of subsidiaries	**(37,873)**	(80,538)
Interest paid	**(31,828)**	(17,990)
(Repayment to) advance from a shareholder	**(17,288)**	38,181
Repayment of amount due to an associate	**(11,371)**	(19,385)
Proceeds from the issue of convertible loan notes	**-**	88,069
Other financing cash flows	**(139)**	(132)
	(95,719)	2,666
Net (decrease) increase in cash and cash equivalents	**(278,650)**	174,942
Cash and cash equivalents at the beginning of period	**812,525**	596,066
Effect of foreign exchange rate changes	**(54)**	(50)
Cash and cash equivalents at the end of period, representing bank balances and cash	**533,821**	770,958

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 "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard (HKAS 34), Interim Financial Reporting.

The Group's principal operations are conducted in 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 instrument 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 2009.

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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3(Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate*
[2] *Effective for annual periods beginning on or after 1 February 2010*
[3] *Effective for annual periods beginning on or after 1 July 2010*
[4] *Effective for annual periods beginning on or after 1 January 2011*
[5] *Effective for annual periods beginning on or after 1 January 2013*

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

3. SEGMENT INFORMATION

The following is analysis of the Group's revenue and results by operating segment for the period under review:

	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
Six months ended 30 June 2010							
Segment Revenue							
External sales	**1,799,182**	**2,700,474**	**789,252**	**324,972**	**683**	**-**	**5,614,563**
Inter-segment sales	**170,007**	**5,926**	**78,758**	**1,995,468**	**-**	**(2,250,159)**	**-**
Group's revenue	**1,969,189**	**2,706,400**	**868,010**	**2,320,440**	**683**	**(2,250,159)**	**5,614,563**
Inter-segment sales were charged at prevailing market prices.							
Segment profit (loss)	**88,631**	**29,047**	**15,766**	**24,634**	**(5,824)**		**152,254**
Bank interest income							**10,129**
Change in fair value of investment properties							**877**
Central administration costs							**(22,201)**
Change in fair value of derivative financial instrument							**43,853**
Share of results of an associate							**(1,715)**
Gain on disposal of an associate							**1,572**
Gain on disposal of available-for-sale investments							**813**
Equity-settled share-based payments							**(17,970)**
Finance costs							**(30,729)**
Profit before tax							**136,883**

	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
Six months ended 30 June 2009							
Segment 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)	-
Group's revenue	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
Bank interest income							11,203
Change in fair value of investment properties							260
Central administration costs							(6,419)
Change in fair value of derivative financial instrument							(61,437)
Share of results of an associate							645
Finance costs							(22,004)
Profit before tax							46,993

Segment profit represents profit earned by each segment without allocation of bank interest income, change in fair value of investment properties, central administration costs, change in fair value of derivative financial instrument, share of results of an associate, gain on disposal of an associate, gain on disposal of available-for-sale investments, equity-settled share-based payments for central administration staffs, finance costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Engines and parts	**2,361,820**	2,019,546
Automobile components and accessories	**3,113,244**	3,344,288
Specialized vehicles	**496,942**	393,983
Trading of raw materials, water and power supply	**1,890,396**	1,126,143
Others	**38,673**	39,646
	7,901,075	6,923,606

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Tax charge represents:		
PRC Enterprise Income Tax	**20,398**	14,171
Deferred tax		
Current period	**2,547**	2,955
	22,945	17,126

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

Pursuant to the tax notice, Caishui [2001] No. 202, other than Wuling Industrial, all the Group's major PRC operating subsidiaries would continue to enjoy a preferential income tax rate of 15% until December 2010 because (i) they are located in the western areas of the PRC; (ii) their main business falls into the National Key Encouraged Industry and Technology Catalogue; and (iii) their annual revenue generated from their main business exceeds 70% of their total revenue.

Wuling Industrial was subject to PRC income tax at 25% for the six months ended 30 June 2009. Pursuant to the tax notice, Liuzhou Liunan [2010] No. 001, Wuling Industrial is also entitled to a preferential income tax rate of 15% from July 2009 to December 2011.

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 2010 RMB'000	2009 RMB'000
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**1,505**	1,773
Other staff costs	**144,786**	111,847
Retirement benefit scheme contributions, excluding directors	**55,214**	48,385
Equity-settled share-based payments		
-other staff	**15,131**	-
-directors	**3,733**	-
	18,864	-
Total staff costs	**220,369**	162,005
Gross property rental income	**(263)**	(65)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**1**	4
Net rental income	**(262)**	(61)
Cost of inventories recognized as an expense	**5,081,669**	4,409,568
Depreciation of property, plant and equipment	**37,072**	32,452
Loss (gain) on disposal of property, plant and equipment	**716**	(4,150)
Amortization of prepaid lease payments (included in general and administrative expenses)	**84**	75
Amortization of premium on prepaid lease payments (included in general and administrative expenses)	**12**	12
Bank interest income	**(10,129)**	(11,203)

6. EARNINGS (LOSS) PER SHARE

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

	For the six months ended 30 June 2010 RMB'000	2009 RMB'000
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earning per share	**64,274**	(41,440)
Effect of dilutive potential ordinary shares:		
Finance costs on convertible loan notes	**4,164**	-
Fair value changes on derivative financial instrument	**(43,853)**	-
Earnings (loss) for the purpose of diluted earnings per share	**24,585**	(41,440)

	For the six months ended 30 June	
	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**968,342,635**	917,288,049
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**136,986,300**	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,105,328,935**	917,288,049

The computation of diluted earnings per share for the six months ended 30 June 2010 and 2009 does not assume the exercise of the outstanding share options as the exercise price was higher than the market price of the Company's shares throughout the relevant periods.

7. DIVIDEND

No dividend were paid, or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

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. The fair value of these investment properties at 30 June 2010 was arrived at on the basis of a valuation carried out as of that day by Vigers Appraisal Consulting Limited ("Vigers"), a firm of independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar transactions. The resulting increase in fair value of investment properties of approximately RMB877,000 has been recognized directly in profit or loss for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB260,000).

During the period, additions to the Group's property, plant and equipment amounted to RMB142,178,000 (six months ended 30 June 2009: RMB80,549,000).

9. INTEREST IN AN ASSOCIATE

At 31 December 2009, the Group held a 30% interest in 柳州五菱物流有限公司 which was accounted for as an associate. In May 2010, the Group disposed of its 30% interest in the associate to an independent third party for a consideration of RMB2,291,000. This disposal gave rise to a gain in profit or loss, calculated as follows:

	RMB'000
Proceeds of disposal	**2,291**
Less: carrying amount of investment on the date of disposal	**(719)**
Profit recognized	**1,572**

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

(i) Trade and other receivables

The Group generally allows its trade customers an average credit period of 90 days to 180 days for sale of goods.

Included in trade and other receivables are trade receivables of RMB4,724,328,000 (31 December 2009: RMB3,828,064,000) and an aged analysis of the Group's trade receivables based on the invoice date (net of allowance for doubtful debts) is presented as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
0 to 90 days	**4,696,061**	3,693,060
91 to 180 days	**11,529**	48,095
181 - 365 days	**16,634**	86,873
Over 365 days	**104**	36
	4,724,328	3,828,064

(ii) Bills receivables discounted with recourse

The amount represents bills receivables discounted to banks with recourse with a maturity period of less than 180 days (31 December 2009: 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 11.

11. 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 RMB5,247,709,000 (31 December 2009: RMB4,633,420,000).

The aged analysis of the Group's trade and bills payables based on the invoice date is presented as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
0 to 90 days	**5,159,082**	4,508,295
91 to 180 days	**19,142**	95,714
181 to 365 days	**18,933**	8,603
Over 365 days	**50,552**	20,808
	5,247,709	4,633,420

(ii) Advances drawn on bills receivables discounted with recourse

The amount represents the Group's bank borrowings secured by bills discounted to banks with recourse (see note 10(ii)).

12. PROVISION FOR WARRANTY

	Six months ended 30 June 2010 RMB'000	Year ended 31 December 2009 RMB'000
At the beginning of the period/year	**111,739**	83,226
Additional provision in the period/year	**37,248**	87,153
Utilization of provision	**(34,503)**	(58,640)
At the end of the period/year	**114,484**	111,739

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 specialized vehicles, automobile components and engine customers.

13. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with a principal amount 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 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. Unless converted, CN 2014 will be redeemed on the maturity date at par.

As a result of the share placement and subscription at a discount as set out in Note 15, the conversion price of CN2014 was adjusted from HK$0.74 per share to HK$0.73 per share with effect from 12 March 2010.

The movement of the liability component of CN 2014 for the six months ended 30 June 2010 is set out below:

	For the six months ended 30 June	
	2010 RMB'000	2009 RMB'000
At the beginning of the period	**77,402**	69,755
Effective interest expense	**4,164**	4,014
Interest paid	**(5,263)**	-
Exchange difference	**(607)**	56
At the end of the period	**75,696**	73,825
Less: amount included in current liabilities	**(2,437)**	(2,468)
Amount due after one year	**73,259**	71,357

Movement in the fair value of the conversion option derivative component of CN 2014 during the period is as follows:

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
At the beginning of the period	**83,861**	18,314
Changes in fair value during the period	**(43,853)**	61,437
Exchange difference	**(410)**	45
At the end of the period	**39,598**	79,796

The methods and assumptions applied for the valuation of CN2014 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was determined based on a valuation provided by Grant Sherman Appraisal Limited, a firm of independent professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 11.64%, 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 (the "Model") at the end of the reporting period provided by Vigers, a firm of independent professional valuers not connected with the Group. The inputs into the model as at the respective dates are as follows:

	At 30 June 2010	At 31 December 2009
Stock price	**HK$0.69**	HK$1.18
Conversion price	**HK$0.73**	HK$0.74
Expected dividend yield	**0%**	0%
Volatility	**71.00%**	63.00%

14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of RMB108 million (six months ended 30 June 2009: RMB70 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 1.3% to 5.8% (six months ended 30 June 2009: 1.2% to 5.3%) per annum.

15. SHARE CAPITAL

	Number of shares	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Authorized:			
Ordinary shares of HK$0.004 each	25,000,000,000	**100,000**	100,000
Convertible preference shares of HK$0.001 each	1,521,400,000	**1,521**	1,521
		101,521	101,521
Issued and fully paid:			
At the beginning of the period/year	917,288,049	**3,669**	3,669
Issue of new shares on 12 March 2010 (note)	84,008,000	**336**	-
At the end of the period/year	1,001,296,049	**4,005**	3,669

	RMB'000	RMB'000
Shown in the financial statements as	**3,954**	3,659

Note:

On 21 January 2010, the Company entered into conditional share placement agreements with two placing agents, pursuant to which the placing agents agreed to place for the Company, on a best effort basis, up to a maximum of 220,000,000 new ordinary shares in the Company at a placing price of HK$0.85 per share (the "Placing Agreements") on or before 31 March 2010. The placing price represents a discount of approximately 23.42% to the closing price of the Company's shares on 20 January 2010, being the last trading day before the date of the Placing Agreements.

Also on the same date, the Company entered into a conditional share subscription agreement with Wuling HK, a substantial shareholder of the Company, pursuant to which Wuling HK would subscribe ordinary shares in the Company at a subscription price of HK$0.85 per share up to a maximum of 95,100,000 shares. The final number of shares subscribed was to be determined with reference to the number of shares ultimately placed under the Placing Agreements.

The above placement and issuance of shares were inter-conditional and their respective conditions precedent were satisfied on 12 March 2010. As a result, these transactions were completed on 12 March 2010 whereby 58,220,000 and 25,788,000 ordinary shares of the Company were issued to independent placees and Wuling HK, respectively.

16. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Details of the share options outstanding during the current period are as follows:

	Number of share options		
	Directors	Employees and others	Total
Outstanding at 31 December 2009	-	5,000,000	5,000,000
Accepted and granted during the period	11,800,000	62,100,000	73,900,000
Outstanding at 30 June 2010	11,800,000	67,100,000	78,900,000

On 29 December 2009, 78,900,000 share options at an exercise price of HK$1.07 per share were offered of which 39,450,000 share options are exercisable commencing from the date of acceptance until 31 December 2012 and the remaining 39,450,000 share options shall be exercisable commencing from the date falling on the first anniversary of the date of acceptance until 31 December 2013. A total of 5,000,000 share options were accepted by the grantees before 31 December 2009, in which 2,500,000 share options were vested on the date of acceptance and the balances were having a vesting period from the date of grant to 29 December 2010. The remaining 73,900,000 were accepted by the grantees subsequent to 31 December 2009, in which 36,950,000 share options were vested on the date of acceptance and the balances were having a vesting period from the date of grant to 20 January 2011. The total fair values of the share options granted during the period were HK$29,400,000, calculated using the Model by Vigers.

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

	21 January 2010	29 December 2009
Share price	HK$1.06	HK$1.03
Exercise price	HK$1.07	HK$1.07
Expected life	3 to 4 years	3 to 4 years
Standard deviation	6.30% to 65.2%	6.30% to 65.2%
Dividend yield	0%	0%
Risk-free interest rate	1.117% to 1.547%	1.117% to 1.547%
Fair value per option	HK$0.3606 to HK$0.4708	HK$0.3993 to HK$0.4703

During the period, an amount of RMB18,864,000 (30 June 2009: nil) was recognized as staff costs incurred, which represents amortization of the fair value of the share options on a straight-line basis over the vesting period. The amount was charged in the condensed consolidated statement of comprehensive income with a corresponding credit to share option reserve.

The closing price of the Company's share immediately before 29 December 2009 and 21 January 2010, the relevant dates of grant or acceptance, were HK$1.03 and HK$1.06 respectively.

17. RELATED PARTY DISCLOSURES

(I) Related party transactions

Company	Transactions	For the six months ended 30 June 2010 RMB'000	2009 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	**3,841,965**	4,111,447
	Purchases of materials	**920,502**	855,305
	Warranty expense paid	**26,377**	27,548
	Project income	**695**	2,359
	Training income	**4**	-
Liuzhou Wuling Group (note ii)	License fee paid	**1,650**	1,650
	Rental expense	**15,003**	14,076
	Sales of goods	**18,093**	2,336
	Sales of raw materials	**33,353**	41,137
	Supply services of water and power	**612**	578
	Purchases of automotive components and other accessories	**33,478**	25,092

Notes:

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

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

(II) Related party balances

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade receivables		
- SGMW	**1,795,791**	2,490,438
- Liuzhou Wuling Group	**25,689**	74,465
Amount due to shareholders		
- Liuzhou Wuling (note i)	**797,818**	811,590
- Dragon Hill Development Limited (note ii)	**-**	3,516
	797,818	815,106

Notes:

(i) The balances are unsecured, non-interest bearing and repayable on demand.
(ii) Dragon Hill Development Limited is a substantial shareholder of the Company. The amount was unsecured, interest-bearing at 5% per annum and repayable on demand. The amount was fully settled during the six months ended 30 June 2010.

(III) Guarantees provided by related parties

The Group's unsecured bank borrowings are supported by:

(i) A personal guarantee to the extent HK$15,000,000 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 dates.

(V) Compensation of key management personnel

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

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Short-term benefits	**1,381**	2,138
Post-employment benefits	**124**	120
Equity-settled share-based payments	**3,733**	-
	5,238	2,258

18. CAPITAL COMMITMENTS

	At 30 June 2010	At 31 December 2009
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
- construction in progress	**51,795**	81,273
- acquisition of property, plant and equipment	**120,472**	7,431
	172,267	88,704

19. OPERATING LEASES

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease receipts:

	At 30 June 2010	At 31 December 2009
	RMB'000	RMB'000
Within one year	**254**	689

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within one year	**34,678**	35,287
In the second to fifth year inclusive	**41,211**	55,543
	75,889	90,830

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

20. EVENTS AFTER THE REPORTING DATE

(a) In July 2010, the Group entered into agreements to acquire certain production facilities and related assets for an aggregate consideration of approximately RMB138 million. Also in August 2010, the Group entered into agreements to acquire certain land use rights in the PRC. The amounts were approximately RMB141 million in aggregate.

(b) In August 2010, the Group obtained additional credit facilities of approximately RMB80 million and RMB87 million from a number of financial institutions and Wuling (Hong Kong) Holdings Limited, respectively. These facilities will be applied to pay up the Group's outstanding capital contribution obligations in its subsidiary, Wuling Industrial.

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 2010.

The automobile market in China continued to grow in the first half of 2010 buoyed by the resilient local economy and the vigorous stimulus programs launched by the Chinese government. Favourable policies under the stimulus programs towards the China automobile industry were extended in 2010 and continued to benefit the Group's performance with an impressive growth in revenue. During the first half of 2010, the Group recorded total revenue of RMB5,614,563,000, representing an increase of 16.6% as compared to prior year's comparative figures.

Gross profit for the period under review was RMB532,894,000, representing an encouraging 31.8% increase as compared to prior year's comparative figure. This encouraging result was mainly due to the improvement in the operations of our automotive components division in the first half of 2010 as compared to last year, which segment performance was adversely affected by the initial stage operations of certain new facilities.

Taking into account of the gain on fair value adjustment of RMB43,853,000 relating to the convertible loan notes issued by the Company, and the share option expenses of RMB18,864,000 relating to the issue of share options to the directors and employees, the Group recorded net profit of RMB113,938,000, representing a significant 281.5% increase as compared to prior year's comparative figure. Meanwhile, profit attributable to the owners of the Company turned around from a deficit in last year to a profit of RMB64,274,000 for the first half of 2010.

On 12 March 2010, the Company issued 58,220,000 and 25,788,000 new shares respectively to independent third party investors and Wuling (Hong Kong) Holdings Limited, a wholly owned subsidiary of Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling") and a substantial shareholder of the Company. Net proceeds amounting to approximately HK$67,800,000 from the issue was injected into Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), subsidiary of the Company, subsequently for providing additional working capital for its operations. Subsequent to this capital injection on 17 March 2010, the percentage of the paid up capital of the Company in Wuling Industrial was increased from 30.5% to 37.4%. These paid up capital ratios were used as the basis to calculate the profits attributable to the owners of the Company for the first half of 2010.

Opportunities and Challenges

With the support of a favourable market and positive regulatory environment, the performance of the China automobile industry continued to grow in the first half of 2010. Total motor vehicles sold from January to June 2010 reached 9,000,000, representing a 47.7% growth on a year-to-year basis, in which local mini-vehicles industry alone achieved a growth rate of 42.9% during the six months period.

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

a. Continuation of the reduction of purchase tax for the 1.6L or lower capacity passenger cars to a further 7.5% during the year ending 31 December 2010;

b. Extension of the subsidy program provided to the farmers for purchasing light truck or mini-vans with capacity below 1.3L in which the amount of subsidy for replacement of old vehicles was increased from the RMB3,000 – RMB6,000 range to RMB5,000 – RMB18,000 for the year ending 31 December 2010; and
c. Direct government subsidies amounting to RMB10 billion in three years from 2009 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.

We also identify the following market trends in China will bring opportunities to the Group, as an enterprise with specific business focus on the mini-vehicles serving the local market:

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;
c. Various capacity expansion programs in our automotive components and specialized vehicles divisions through the setup of the new production facilities, such as the recent acquisitions of a factory premises and certain production facilities in Qingdao; and a piece of industrial land in Liuzhou with a total site area of 415,034 sqm, 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 upgrading program for the operation systems of Wuling Industrial with the objective to improve efficiency and performance standard, as well as to contain cost of production which allows the Group together with its customers to enhance coherence and to stay highly competitive in the market.

Outlook

2009 is a phenomenal year to the China automobile industry, which recorded a remarkable 46% annual growth and marked the first time for China to become the number one vehicles consumption country in the world. With its 1.4 billion population and the continuous economic growth in recent years, such development is not surprising. In fact, taking into account of the number of 13,600,000 vehicles sold in China in 2009, the car ownership ratio is still at a low level, pointing at tremendous growth potential to the China automobile industry.

The stimulus programs implemented by the government have essentially sustained the momentum of economic growth and benefited the nation economy, including the automobile sector. In response to the encouraging market condition since 2009, most of the enterprises in the China automobile industry optimistically carried out aggressive expansion programs in order to promote businesses and to gain market share. It is generally expected that the number of vehicles sold in China will reach 17,000,000 for the full year of 2010, representing a remarkable 25% full year growth as compared to 2009.

The current favourable environment towards the China automobile industry is obvious. However, as mentioned in our previous annual report, the potential competitions associated with excessive capacities from the aggressive expansion programs should not be underestimated. A cyclical downturn in sales may cause the enterprise into trouble. 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 so as to stay competitive in the industry.

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. 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 2010 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 2010 was RMB1,799,182,000, representing an increase of 10.9% as compared to prior year's comparative figure. Operating profit for the respective period was RMB88,631,000, representing an increase of 10.2% as compared to prior year's comparative figure.

The engines and parts division undertaken by Wuling Liuji continued to be the major contributor to the Group's operating profit for the first half of 2010.

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 400,000 units, with approximately 80% of which were sold to SGMW. The remaining numbers were supplying to other motor vehicles' manufacturers including FAW Haima, Gonow Auto, Ziyang Nanjun Auto, Beiqi Foton and Mianyang Huaxin (一汽海馬，吉奥汽車，資陽南駿汽車，北汽福田，綿陽華鑫), which volume has been impressively increased during the six months period. In addition, Wuling Liuji has also exported its products to the overseas markets such as Indonesia, Turkey, Pakistan, Thailand and the United States. The successful launch of the agricultural machinery by Wuling Liuji last year has also begun to contribute to the business performance during the period.

Operating margin maintained at 4.9% as compared to 5% recorded in prior year's corresponding period with a similar gross margin performance as a result of a slightly higher material costs and a stable scale of operation. Meanwhile, the division incurred research and development expenses of approximately RMB36,026,000 during this 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.

Following the new production line for the nonferrous metallic parts for the engine's cylinder, which commenced operation in 2008, the Group started another re-engineering project on the foundry of cylinder block and cylinder head with a targeted capacity of 600,000 units with the objectives of promoting better production efficiency and profitability. This project, which is expected to be completed in the first half of 2011, is progressing satisfactorily during the period.

The Group expects the strong market demands for SGMW and other customers' models will continue in the second half of 2010 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 2010 was RMB2,700,474,000, representing an increase of 7.7% as compared to prior year's comparative figure. Operating profit for the respective period was RMB29,047,000, representing a remarkable increase of 129.7% as compared to prior year's comparative figure.

The automotive components division undertaken by Wuling United continued to be the largest contributor to the total revenue of the Group due to the strong growth experienced in the first half of 2010.

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 640,000 units/sets in the first half of 2010, equivalent to nearly two third of the total volume for the year 2009, in which sales to SGMW accounted for about 90% of the total turnover.

Meanwhile, profitability performance was impressively improved as compared to last year, despite the undesirable higher cost of production and transportation continued to adversely affect the operation of the new Qingdao factory. Same as previous years, 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 in last year. However, with the installation of additional plant and machinery and better operation stability, such undesirable condition has been gradually improved. Meanwhile, the research and development expenses incurred by the division was substantially increased to approximately RMB23,447,000 during this 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 Group expects the growth of business of SGMW from the existing models and the launch of new models will continue to benefit the automotive components and accessories division in the second half of 2010. As a result, the Group entered in contracts to acquire factory premises and certain production facilities in Qingdao in July 2010. The Group considers this new facility is a desirable option for the expansion programs due to the close proximity to the existing production facilities of SGMW as well as the Group's existing factory in Qingdao, where immediate capacity can be available to cope with vigorous demands in this region.

Meanwhile, the division has launched an upgrading program for its operation systems to enhance operation coherence with SGMW during the period with the objective to improve efficiency and performance standard. The Group believes this strategic togetherness of the Group and the customer will strengthen our competitiveness in the market and will eventually benefit the profitability of the division.

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 2010 was RMB789,252,000, representing a significant increase of 60.9% as compared to prior year's comparative figure. Operating profit for the respective period was RMB15,766,000, representing an impressive increase of 116.1% as compared to prior year's comparative figure.

The specialized vehicles division continued to actively launch new models and expand its capacity to cope with the increasing market demands. In 2009, it became the first enterprise possessing the qualification for manufacturing new energy electrical mini-truck in China.

During this six months period, through active marketing and promotion programs, Wuling Specialized Vehicles sold approximately nearly 22,000 specialized vehicles in the first half of 2010, representing an impressive increase of approximately 38% as compared to the 16,000 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 slightly improved to 2.0% during the period. Higher distribution costs incurred for the selling of certain specialized vehicles to those provinces located far away from Liuzhou continued to affect profitability of the division and limited the margin performance of the division.

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, apart from the facilities in Liuzhou having a capacity of 50,000 vehicles a year, the Group has established a new production plant in Qingdao with an initial capacity of 5,000 vehicles to facilitate geographical diversification which enables quality services and cost effectiveness. For further expansion, the site of the factory premises in Qingdao recently acquired by Wuling Industrial will also be integrated with certain facilities for the production of specialized vehicles.

The Group expects the market growth of the specialized vehicles products will continue in the second half of 2010, 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 2010 was RMB324,972,000, representing an increase of 69.5% compared to prior year's comparative figure. Inter-segment sales which were primarily contributed from the sales to Wuling United was RMB1,995,468,000, representing an increase of 35.5% compared to prior year's comparative figure. Operating profit for the respective period was RMB24,634,000, representing an increase of 15.3% compared to prior year's comparative figure.

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.

The Group expects the growth of business of SGMW from the existing models and the launch of new models will continue to benefit the trading and supply services division in the second half of 2010 which will contribute to the business performance of the division for the full year.

FINANCIAL REVIEW

Statement of Comprehensive Income

Group's turnover for the six months ended 30 June 2010 was RMB5,614,563,000 representing an increase of 16.6% as compared to prior year's comparative figure which was mainly attributable to the continuous strong market demands for the vehicles produced by our customers and the increasing sales of specialized vehicles on the back of the favourable market condition of the automobile industry during the period.

Gross profit for the period under review was RMB532,894,000, representing an encouraging 31.8% increase as compared to prior year's comparative figure. This encouraging increase rate was mainly due to the improvement in the operating results of our automotive components division in the first half of 2010 as compared to prior year, which segment performance was adversely affected by the initial stage operations of certain new facilities.

Accordingly, gross margin of the Group increased to 9.5% from 8.4% recorded in prior year's corresponding period. The single digit gross margin condition was, however, a reflection of the keen competition environment in the automobile industry in China.

Taking into account of the gain on fair value adjustment of RMB43,853,000 relating to the convertible loan notes issued by the Company, and the share option expenses of RMB18,864,000 relating to the issue of share options to the directors and employees, the Group recorded net profit of RMB113,938,000, representing a significant 281.5% increase as compared to prior year's comparative figure. Meanwhile, profit attributable to the owners of the Company turned around from a deficit in last year to a profit of RMB64,274,000 for the first half of 2010.

On 12 March 2010, the Company issued 58,220,000 and 25,788,000 new shares respectively to independent third party investors and, Wuling (Hong Kong) Holdings Limited, a wholly owned subsidiary of Liuzhou Wuling and a substantial shareholder of the Company. Net proceeds amounting to approximately HK$67,800,000 from the issue had been injected into Wuling Industrial, a subsidiary of the Company, subsequently for providing additional working capital for its operations. Subsequent to this capital injection on 17 March 2010, the percentage of the paid up capital of the Company in Wuling Industrial was increased from 30.5% to 37.4%. These paid up capital ratios were used as the basis to calculate the profit attributable to the owners of the Company for the first half of 2010.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB55,845,000 for the six months ended 30 June 2010, representing an increase of 39.0% as compared to prior year's comparative figures as a result of an increase in the sales of scrap materials during the period.

Distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB158,610,000 for the six months ended 30 June 2010, representing an increase of 102.5% as compared to prior year's comparative figures. The increase was mainly attributable to the significant increase in the transportation cost incurred by the automotive components and the specialized vehicles divisions as abovementioned.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB226,877,000 for the six months ended 30 June 2010, representing an increase of 15.9% 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 2010 amounted to RMB81,040,000, representing an increase of 97.8% 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 2010 amounted to RMB30,729,000, representing an increase of 39.7% as compared to prior year's comparative figures. The balances included the finance cost of RMB4,164,000 incurred for the convertible loan notes issued by the Company.

Earnings per share on fully diluted basis for the six months ended 30 June 2010 was RMB2.22 cents, which positive effect arising from the gain on fair value adjustment on the convertible loan notes issued by the Company was excluded from the calculation.

Financial Positions

As at 30 June 2010, total assets and total liabilities of the Group stood at RMB9,163,130,000 and RMB8,305,896,000 respectively.

Non-current assets amounted to RMB916,454,000 comprised mainly property, plant and equipment and prepaid lease payments, etc.

Current assets amounted to RMB8,246,676,000 comprised mainly inventories of RMB651,479,000, trade and other receivables and bill receivables discounted with recourse of RMB6,324,973,000, cash and cash equivalents (inclusive of pledged bank deposits) of RMB1,262,055,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB1,795,791,000 was recorded as trade and other receivables in the statement of financial position. These receivables balances were subject to normal commercial settlement terms. Total cash and bank balances amounted to RMB1,262,055,000, in which RMB728,234,000 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 RMB354,711,000 as at 30 June 2010.

Current liabilities amounted to RMB8,208,336,000 comprised mainly trade and other payables and advances drawn on bill receivables discounted with recourse of RMB7,066,080,000, amount due to shareholders of RMB797,818,000, provision for warranty of RMB114,484,000, tax payable of RMB25,471,000, bank borrowings – due within one year of RMB162,291,000 and derivative financial instrument of RMB39,598,000. Amount due to Liuzhou Wuling, a substantial shareholder of the Company and the joint venture partner of Wuling Industrial which amounted to RMB797,818,000 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 2010.

Net current assets increased to RMB38,340,000 as at 30 June 2010 from RMB6,124,000 as at 31 December 2009, primarily attributable to the positive effect from the revaluation of the derivative financial instrument in relation to the convertible loan notes as at 30 June 2010.

Non-current liabilities amounted to RMB97,560,000 comprised mainly bank borrowings of RMB16,819,000 and the liability component of the convertible loan notes of RMB73,259,000.

Liquidity and Capital Structure

As at 30 June 2010, the Group maintained cash and cash equivalents of RMB533,821,000, which was decreased by RMB278,704,000 as compared to the reporting balances as at 31 December 2009.

Group's bank borrowings decreased from RMB238,100,000 as at 31 December 2009 to RMB179,110,000 as at 30 June 2010. Apart from bank borrowings, a 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.

Overall, the Group had cash net of bank borrowings amounting to RMB354,711,000 as at 30 June 2010.

As 30 June 2010, the Group had a gearing ratio of 20.9% calculated based on the Group's total bank borrowings and the Group's net assets, which was decreased as compared to the gearing ratio of 34.0% as recorded at 31 December 2009.

Issued capital increased to RMB3,954,000 as at 30 June 2010 from RMB3,659,000 as at 31 December 2009. On 12 March 2010, the Company issued 58,220,000 and 25,788,000 new shares respectively to independent third party investors and, Wuling (Hong Kong) Holdings Limited, a wholly owned subsidiary of Liuzhou Wuling and a substantial shareholder of the Company. Net proceeds amounting to approximately HK$67,800,000 from the issue had been injected into Wuling Industrial subsequently for providing additional working capital for its operations.

Total shareholders' equity comprised primarily the share premium account, contributed surplus and after deducting the accumulated losses, amounted to RMB271,368,000 as at 30 June 2010. Net asset value per share was RMB27.1 cents as at 30 June 2010.

Pledge of Assets

As at 30 June 2010, the properties held by the Group in Hong Kong with an aggregate value of RMB27,184,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB728,234,000 and bills receivables discounted with recourse amounting to RMB1,327,808,000 were pledged to the banks mainly 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 2010, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB30,110,000, Hong Kong dollar bank deposits of an aggregate amount of RMB9,106,000, foreign currency and Hong Kong dollar loan and trade receivables of RMB849,000, Hong Kong dollar trade payable of RMB7,987,000 and Hong Kong dollar convertible loan notes with principal value amounting to RMB75,696,000. 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 2010, 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 RMB172,267,000.

Contingent Liabilities

As at 30 June 2010, 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 total paid up capital of Wuling Industrial.

On 14 January 2009, by the funds raised from the issue of the convertible loan notes, 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, 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, the Company announced the delay in the payment of the outstanding Subscription Money which amounted to approximately RMB 225,800,000.

On 17 March 2010, by the funds raised from the issue of new shares of the Company as abovementioned, the Company further injected approximately HK$67,800,000 into Wuling Industrial. Subsequent to this capital injection, the percentage of the paid up capital of the Company in Wuling Industrial was increased from 30.5% to 37.4%.

The Company further announced that the balance of the outstanding balances of the Subscription Money will be financed by the Company through other financial means, and the Company will make an announcement in relation thereto on completion of the capital injection.

In August 2010, the Group obtained additional credit facilities of approximately RMB80 million and RMB87 million from a number of financial institutions and Wuling (Hong Kong) Holdings Limited , respectively. These facilities will be applied to pay up the Group's capital contribution obligations in its subsidiary, Wuling Industrial.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2010 (Period ended 30 June 2009: Nil).

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 2010 (Period ended 30 June 2009: 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. Mr. Lee Shing acted as the Chairman and the Chief Executive Officer until 4 January 2010. After taking into account of the CG Code provision A.2.1 and the future development of the Company, with effect from 4 January 2010, Mr. Sun Shaoli was appointed to replace Mr. Lee Shing as Chairman, whereas Mr. Lee Shing, remained as the Chief Executive Officer and was re-designated as the Vice-chairman.

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 2010.

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 2010 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 2010 has also been reviewed by the Audit Committee.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2010, the Group had approximately 5,400 employees, including directors. Total staff costs for the six months ended 30 June 2010 were approximately RMB220,369,000. 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 2010 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, respectively 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, 30 August 2010

* *For identification purpose only*