五菱汽車集團控股有限公司
WULING MOTORS HOLDINGS LIMITED

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2012	2011	Change
	RMB'000	*RMB'000*	*(%)*
Revenue	**5,998,983**	5,230,031	+14.7
Gross profit	**593,487**	427,344	+38.9
Profit for the period	**61,923**	64,133	-3.4
Profit attributable to the owners of the Company	**31,003**	22,094	+40.3

INTERIM RESULTS

The board of directors (the "Board") of Wuling Motors Holdings Limited (the "Company") announces the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012.

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 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**5,998,983**	5,230,031
Cost of sales		**(5,405,496)**	(4,802,687)
Gross profit		**593,487**	427,344
Other income		**42,708**	75,677
Other gains and losses		**1,548**	(261)
Selling and distribution costs		**(155,547)**	(117,877)
General and administrative expenses		**(341,104)**	(251,617)
Change in fair value of investment properties	*8*	**82**	2,524
Change in fair value of derivative financial instrument	*12*	**12,097**	(5,305)
Finance costs		**(61,879)**	(49,158)
Profit before taxation		**91,392**	81,327
Income tax expense	*4*	**(29,469)**	(17,194)
Profit for the period	*5*	**61,923**	64,133
Other comprehensive income:			
Exchange differences arising from translation		**1,002**	2,407
Exchange reserve released upon disposal of subsidiaries	*9*	**(247)**	—
Other comprehensive income for the period		**755**	2,407
Total comprehensive income for the period		**62,678**	66,540
Profit for the period attributable to:			
Owners of the Company		**31,003**	22,094
Non-controlling interests		**30,920**	42,039
		61,923	64,133
Total Comprehensive income attributable to:			
Owners of the Company		**31,758**	24,501
Non-controlling interests		**30,920**	42,039
		62,678	66,540
Earnings per share	*7*		
— Basic		**2.65 cents**	2.02 cents
— Diluted		**1.77 cents**	2.02 cents
Dividend	*6*		
Interim Dividend		**N/A**	HK 1 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**1,202,379**	1,078,994
Prepaid lease payments		**191,814**	171,907
Premium on prepaid lease payments		**960**	972
Investment properties	*8*	**2,247**	26,217
Intangible assets		**628**	628
Goodwill	*18*	**5,252**	—
Available-for-sale investments		**—**	360
Deposits for acquisition of an investment property	*8*	**3,323**	—
Deposits for acquisition of land use rights		**21,420**	10,800
Deposits for acquisition of property, plant and equipment		**190,015**	140,584
		1,618,038	1,430,462
CURRENT ASSETS			
Inventories		**562,715**	551,976
Trade and other receivables	*10(i)*	**5,637,995**	6,128,582
Bills receivables discounted with recourse	*10(ii)*	**1,727,577**	232,736
Prepaid lease payments		**4,126**	3,601
Tax recoverable		**—**	2,033
Held-for-trading investments		**—**	5
Pledged bank deposits		**1,129,112**	498,138
Bank balances and cash		**1,314,662**	849,846
		10,376,187	8,266,917
CURRENT LIABILITIES			
Trade and other payables	*11(i)*	**7,203,870**	5,914,080
Advances drawn on bills receivables discounted with recourse	*11(ii)*	**1,727,577**	232,736
Amounts due to shareholders		**513,956**	577,979
Provision for warranty		**133,658**	124,717
Tax payable		**12,652**	1,297
Derivative financial instrument	*12*	**6,746**	18,843
Bank borrowings — due within one year	*13*	**742,412**	1,174,762
Obligations under finance leases — due within one year		**—**	74
Bank overdrafts		**—**	5,117
		10,340,871	8,049,605
NET CURRENT ASSETS		**35,316**	217,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,653,354**	1,647,774

	Notes	**30 June 2012** *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Amounts due to shareholders		**326,310**	326,764
Convertible loan notes	*12*	**77,445**	78,524
Bank borrowings — due after one year	*13*	**2,115**	23,158
Deferred tax liabilities		**19,466**	14,279
		425,336	442,725
		1,228,018	1,205,049
CAPITAL AND RESERVES			
Share capital	*14*	**4,524**	4,524
Reserves		**508,952**	481,965
Equity attributable to owners of the Company		**513,476**	486,489
Non-controlling interests		**714,542**	718,560
		1,228,018	1,205,049

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as 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").

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 instruments and investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

Except as described below, the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognize any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognized deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. The amendments to HKAS 12 have been applied retrospectively, the application of the amendments has had no significant impact on the condensed consolidated financial statements of the Group as at 1 January 2011, 31 December 2011 and for the six-month period ended 30 June 2012.

3. SEGMENT INFORMATION

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

	Engines and parts *RMB'000*	Automotive components and accessories *RMB'000*	Specialized vehicles *RMB'000*	Trading of raw materials, and provision of water and power supply *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2012							
Revenue							
Segment revenue — external sales	**1,832,665**	**2,822,243**	**886,146**	**457,772**	**157**	**—**	**5,998,983**
Inter-segment sales	**18,567**	**388,642**	**9,733**	**315,306**	**—**	**(732,248)**	**—**
	1,851,232	**3,210,885**	**895,879**	**773,078**	**157**	**(732,248)**	**5,998,983**
Segment profit (loss)	**71,403**	**30,023**	**36,400**	**20,331**	**(4,348)**		**153,809**
Bank interest income							**10,008**
Change in fair value of investment properties							**82**
Central administration costs							**(24,203)**
Change in fair value of derivative financial instrument							**12,097**
Gain on disposal of subsidiaries							**1,710**
Loss on disposal of available-for-sale investments							**(232)**
Finance costs							**(61,879)**
Profit before tax							**91,392**

	Engines and parts *RMB'000*	Automotive components and accessories *RMB'000*	Specialized vehicles *RMB'000*	Trading of raw materials, and provision of water and power supply *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2011							
Revenue							
Segment revenue — external sales	1,720,983	2,554,049	719,325	234,775	899	—	5,230,031
Inter-segment sales	75,126	5,666	19,034	651,170	—	(750,996)	—
	1,796,109	2,559,715	738,359	885,945	899	(750,996)	5,230,031
Segment profit (loss)	99,476	23,170	13,598	9,670	(4,965)		140,949
Bank interest income							11,242
Change in fair value of investment properties							2,524
Central administration costs							(18,085)
Change in fair value of derivative financial instrument							(5,305)
Equity-settled share-based payments							(840)
Finance costs							(49,158)
Profit before tax							81,327

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Current period	**22,722**	14,746
Underprovision in prior years	**4,755**	—
	27,477	14,746
Deferred tax		
Current period	**1,992**	2,448
	29,469	17,194

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for Hong Kong Profits Tax has been made for both periods since the assessable profits are wholly absorbed by tax losses brought forward.

The PRC

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

In the opinion of the directors of the Company, all the Group's major PRC operating subsidiaries, other than Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), are located in the specified provinces of Western China and paid quarterly EIT at 15% preferential tax rate during the period ended 30 June 2012, will be subject to a preferential tax rate of 15% in 2012 as they are engaged in industries which should qualify for the preferential tax treatment.

The EIT Law also requires withholding tax upon distribution of profits earned by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders at 10% of the distribution. Deferred tax has been provided in the condensed consolidated financial statements in respect of all the relevant undistributed profits earned by the Company's PRC subsidiaries attributable to the Group.

5. PROFIT FOR THE PERIOD

	For the six months ended 30 June 2012 RMB'000	2011 RMB'000
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**2,068**	1,972
Other staff costs	**215,685**	160,717
Retirement benefit scheme contributions, excluding directors	**65,170**	64,919
Equity-settled share-based payments, excluding directors	**—**	714
Total staff costs	**282,923**	228,322
Gross property rental income	**(157)**	(343)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**1**	1
Net rental income	**(156)**	(342)
Cost of inventories recognized as an expense	**5,405,496**	4,802,687
Depreciation of property, plant and equipment	**58,268**	39,388
Release of prepaid lease payments (included in general and administrative expenses)	**2,173**	1,123
Release of premium on prepaid lease payments (included in general and administrative expenses)	**12**	12
Research and development expenses (included in general and administrative expenses)	**59,171**	22,579
Bank interest income	**(10,008)**	(11,242)
Gain on disposal of subsidiaries (included in other gains and losses) *(note 9)*	**(1,710)**	—
Gain on disposal of property, plant and equipment (included in other gains and losses)	**(153)**	(165)
Loss on disposal of available-for-sale investments (included in other gains and losses)	**232**	—
Fair value change of held-for-trading investments (included in other gains and losses)	**(1)**	—
Net exchange loss (included in other gains and losses)	**84**	426

6. DIVIDEND

During the current interim period, a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2011 (six months ended 30 June 2011: Nil) was paid to the owners of the Company. The aggregate amount of the final dividend paid in the interim period amounted to HK$5,853,000 (or equivalent to RMB4,771,000) (six months ended 30 June 2011: Nil).

No dividends were declared or proposed during the interim period. The directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2011: HK1 cent).

7. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earning per share	**31,003**	22,094
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes *(note a)*	**4,259**	—
Change in fair value of derivative embedded in convertible loan notes *(note a)*	**(12,097)**	—
Earnings for the purpose of diluted earnings per share *(note b)*	**23,165**	22,094

	For the six months ended 30 June	
	2012	2011
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,170,605**	1,092,457
Effect of dilutive potential ordinary shares:		
Convertible loan notes *(note a)*	**136,986**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(note b)*	**1,307,591**	1,092,457

Notes:

(a) The computation of diluted earnings per share for the six months ended 30 June 2011 does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the six months ended 30 June 2012 and 2011 does not assume the exercise of the outstanding share options as the exercise price was higher than the average market price of the Company's shares during the relevant periods.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share in 2011 has also been adjusted for the bonus element of the Open Offer (as defined in note 14) completed on 28 March 2011.

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

Investment properties

During the current interim period, the Group disposed two subsidiaries which held investment properties with an aggregate carrying value of RMB26,411,000 at the date of disposal. The fair value of these investment properties at 31 December 2011 and at the date of disposal were arrived at on the basis of valuations carried out as of those dates by Vigers Appraisal Consulting Limited, a firm of 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 these investment properties of approximately RMB82,000 (six months ended 30 June 2011: RMB2,524,000) has been recognized directly in profit or loss for the six months ended 30 June 2012.

On 29 June 2012, the Group also acquired investment properties for a cash consideration of RMB2,247,000. In the opinion of the directors, the fair value of these investment properties at 30 June 2012 approximates the Group's cost of acquisition.

On 1 June 2012, the Group entered into a sale and purchase agreement with an independent third party for acquisition of an investment property, a residential property situated in Hong Kong under long term leases, at a consideration of RMB3,323,000, which has been fully paid in cash during the current interim period. The acquisition was completed on 3 July 2012 and the consideration paid was classified as deposits as at 30 June 2012.

All the Group's investment properties are situated in Hong Kong and held under long term leases.

Properties, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to RMB162,297,000 (six months ended 30 June 2011: RMB107,150,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB2,244,000 (six months ended 30 June 2011: RMB13,052,000) for a cash proceeds of RMB2,397,000 (six months ended 30 June 2011: RMB13,217,000), resulting in a gain on disposal of RMB153,000 (six months ended 30 June 2011: gain on disposal of RMB165,000).

9. DISPOSAL OF SUBSIDIARIES

During the current interim period, the Group entered into an agreement with Dragon Hill Holdings Limited ("DH Holdings") to dispose of its 100% equity interest in Jenpoint Limited ("Jenpoint") and Dragon Hill Financial Services Holdings Limited ("DHFS"), which are principally engaged in property investment. DH Holdings is a company wholly owned by Mr. Lee Shing ("Mr. Lee"), a substantial shareholder and a director of the Company, who can exercise significant influence over the Company.

The purpose of the disposal is to reduce the Group's gearing and to generate working capital to the Group. The disposal was completed on 28 May 2012, on which date the Group lost control over DHFS and Jenpoint.

The net assets of Jenpoint and DHFS at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
— Investment properties	26,411
— Properties, plant and equipment	1,326
— Other receivables	95
— Bank balances and cash	15
— Bank borrowings	(24,266)
— Other payables and accruals	(122)
— Deferred tax liabilities	(32)
	3,427
Reclassification of cumulative exchange reserve upon disposal to profit or loss	(247)
	3,180
Gain on disposal	1,710
Total consideration	4,890
Net cash inflow arising on disposal:	
Total cash consideration received	4,890
Bank balances and cash disposed of	(15)
	4,875

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 and bills receivables of RMB5,036,279,000 (31 December 2011: RMB5,623,553,000) and an aged analysis based on the invoice date (net of allowance for doubtful debts) is presented as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
0 to 90 days	**4,967,178**	5,525,419
91 to 180 days	**55,870**	26,713
181 to 365 days	**12,492**	58,020
Over 365 days	**739**	13,401
	5,036,279	5,623,553

(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 2011: 180 days). The Group recognizes the full amount of the discount proceeds as liabilities as set out in Note 11(ii).

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 and bills payables of RMB6,759,701,000 (31 December 2011: RMB5,372,417,000) and an aged analysis based on the invoice date is presented as follows:

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
0 to 90 days	**6,700,097**	4,206,703
91 to 180 days	**25,653**	1,118,541
181 to 365 days	**18,710**	31,492
Over 365 days	**15,241**	15,681
	6,759,701	5,372,417

(ii) Advances drawn on bills receivables discounted with recourse

The amount represents the Group's obligations arising from bills discounted to banks with recourse (see Note 10(ii)).

12. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 12 January 2009, the Company issued convertible loan notes with an aggregate principal sum of HK$100,000,000 at par (equivalent to approximately RMB88,069,000) to Wuling (Hong Kong) Holdings Limited ("Wuling HK") ("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 day commencing from 12 January 2010 upto the fifth business days prior to the maturity date, at a conversion price of HK$0.74 per ordinary share, subject to anti-dilutive adjustments. If not converted, CN 2014 will be redeemed on the maturity date at par. As a result of the share placement and subscription at a discount on 12 March 2010, the conversion price of CN 2014 was adjusted from HK$0.74 per share to HK$0.73 per share with effect from 12 March 2010.

The convertible loan notes contain two components, liability component and conversion option derivative. The effective interest rate of the liability component is 11.64%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

The movement of the liability component of CN 2014 for the six months ended 30 June 2012 is set out below:

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
At the beginning of the period	**78,524**	77,691
Effective interest expense	**4,259**	4,173
Interest paid	**(4,890)**	(5,048)
Exchange difference	**(448)**	(1,499)
At the end of the period	**77,445**	75,317

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	
	2012	2011
	RMB'000	*RMB'000*
At the beginning of the period	**18,843**	54,369
Changes in fair value during the period	**(12,097)**	5,305
At the end of the period	**6,746**	59,674

13. BANK BORROWINGS

During the current interim period, the Group obtained new unsecured bank loans of RMB208 million (six months ended 30 June 2011: RMB307 million) which were used to repay existing bank loans and to finance the Group's daily operation.

The Group's loans carry interest at variable market rates based on Hong Kong Inter-bank Offered Rate or the People's Bank of China Benchmark Interest Rate, ranging from 2.3% to 7.2% (six months ended 30 June 2011: 1.9% to 5.8%) per annum and are repayable in installments over a period of 1 to 15 years.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorized:		
Ordinary shares of HK$0.004 each	25,000,000,000	100,000
Convertible preference shares of HK$0.001 each	1,521,400,000	1,521
Balance at 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
As at 1 January 2011	1,003,376,049	4,013
Issue of shares upon open offer *(note)*	167,229,341	669
As at 30 June 2011, 31 December 2011 and 30 June 2012	1,170,605,390	4,682
		RMB'000
Shown in the financial statements as		
— 30 June 2012		4,524
— 31 December 2011		4,524

note: Pursuant to an ordinary resolution passed at a special general meeting of the Company on 8 March 2011, an issue of shares at a price of HK$0.90 per share on the basis of 1 share for every 6 then existing shares (the "Open Offer") was approved. The Open Offer was completed on 28 March 2011 and a total of 167,229,341 new shares were issued, resulting in gross proceeds of approximately RMB126,644,000 (equivalent to approximately HK$150,506,000) to the Company. The proceeds from the Open Offer provide additional working capital to finance the Group's daily operations.

The new shares issued under the Open Offer ranked pari passu in all respects with the then existing shares then in issue.

15. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation.

The table below discloses movement of the Company's share options held by the Group's directors, advisors and employees:

		Number of share options			
	notes	**Directors**	**Advisors**	**Employees (Continuous Contracts)**	**Total**
Outstanding at 1 January 2011		13,200,000	5,000,000	58,620,000	76,820,000
Reclassified during the year	*(i)*	—	1,400,000	(1,400,000)	—
Adjustment	*(ii)*	99,994	48,484	433,491	581,969
Forfeited during the year	*(iii)*	—	(1,410,606)	(8,030,377)	(9,440,983)
Outstanding at 31 December 2011		13,299,994	5,037,878	49,623,114	67,960,986
Forfeited during the year	*(iv)*	—	—	(4,382,954)	(4,382,954)
Outstanding at 30 June 2012		13,299,994	5,037,878	45,240,160	63,578,032

notes:

(i) During the year ended 31 December 2011, an employee resigned from the Company and retained as an advisor of the Group, who provided advice on the Group's operation directions. The respective share options have been reclassified from the Employees' category to the Advisors' category accordingly.

(ii) The number of share options was adjusted to take into account the effect of the Open Offer.

(iii) During the year ended 31 December 2011, two subsidiaries were disposed of, and certain advisors and employees of the Group resigned. Their respective share options were forfeited accordingly.

(iv) During the period ended 30 June 2012, certain employees resigned and their respective share options were forfeited accordingly.

Certain share options were granted with no vesting period while certain share options were granted with a vesting period of one year starting from the date of acceptance. During the period ended 30 June 2011, an amount of RMB878,000 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 attached to certain share options. The amount was charged in the consolidated statement of comprehensive income with a corresponding credit to share option reserve.

By 30 June 2011, all outstanding share options were fully vested.

On 28 May 2012, the Company adopted a new share option scheme and subsequent to the end of the reporting date, the Company granted share options to certain directors and employees of the Group as disclosed in note 20.

16. CAPITAL COMMITMENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— construction in progress	**182,028**	208,198
— acquisition of property, plant and equipment	**132,250**	64,497
— land use rights	**3,780**	14,400
	318,058	287,095

17. OPERATING LEASES

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 2012 RMB'000	At 31 December 2011 RMB'000
Within one year	**18,164**	36,312
In the second to fifth year inclusive	**7**	950
	18,171	37,262

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.

18. ACQUISITION OF A SUBSIDIARY

On 31 March 2012, the Group acquired 75% interest in Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") (the "Acquisition") which is principally engaged in the manufacture of combustion engines, for expansion of the Group's engines and parts business in the northern region of the PRC. Details of the consideration transferred, assets acquired and liabilities assumed relating to the Acquisition are set out below.

Consideration transferred

	RMB'000
Cash	10,000
Deferred consideration	16,450
Total consideration	26,450

Assets and liabilities recognized at the date of acquisition

Current assets	
Inventories	34,374
Trade and other receivables	30,416
Pledged bank deposits	8,925
Bank balances and cash	4,928
Non-current assets	
Property, plant and equipment	28,235
Prepaid lease payments	22,605
Current liabilities	
Trade and other payables	(70,714)
Bank borrowings	(23,000)
Non-current liabilities	
Deferred tax liabilities	(7,505)
	28,264
Non-controlling interest	(7,066)
	21,198
Goodwill arising on acquisition	5,252

Net cash outflow arising on acquisition

Consideration paid in cash	10,000
Less: cash and cash equivalents acquired	(4,928)
	5,072

19. RELATED PARTY TRANSACTIONS

Company	Transactions	For the six months ended 30 June **2012** *RMB'000*	2011 *RMB'000*
SAIC-GM-Wuling Automobile Co., Ltd ("SGMW")	Sales of goods and raw materials by the Group	**4,253,553**	3,916,535
	Purchase of materials by the Group	**1,049,772**	870,345
	Warranty costs incurred by the Group	**11,159**	22,292
Liuzhou Wuling Group	License fee paid	**1,650**	1,650
	Rental expense	**16,565**	15,102
	Sales of goods and raw materials	**95,176**	62,589
	Supply services of water and power	**963**	878
	Purchases of automotive components and other accessories	**123,617**	62,510

20. EVENTS AFTER THE END OF THE REPORTING DATE

In June 2012, the Company granted a total of 105,900,000 share options to certain directors and employees of the Group (the "Grantees") with an exercise price of HK$0.49 per share. Such share options were accepted by the Grantees in July 2012. The Company is in the process of determining the fair value of the share options and is not yet in a position to disclose the finalized financial effects.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Performances

We are pleased to present the unaudited results of Wuling Motors Holdings Limited for the six months ended 30 June 2012.

The first 6-month period of 2012 continued to be a challenging period to the automobile industry in China. Total number of motor vehicles sold recorded a slight increase of 2.9% compared to the corresponding period in last year, in which the commercial-type vehicles segment where the Group focuses experienced a decline. The unfavourable economic environment and the weakening market sentiment continued to put pressure on the automobile related enterprises in China. Nevertheless, our competitive strength in the market through supplying to the market leader enterprise placed us in a better position facing this tough business condition. During the first half of 2012, the Group recorded total revenue of RMB5,998,983,000, representing an increase of 14.7% as compared to the corresponding period in last year.

Gross profit for the period under review was RMB593,487,000, representing an increase of 38.9%. Increases in revenue and the gradual improvement in the operations of the automotive components and specialized vehicles divisions benefited the margin performance of the Group, in spite of the adverse impact from a steadily lower selling price of the Group's products and the operating losses incurred for the new operation facilities of the engines division during the period.

Net profit of the Group for the first half of 2012 was RMB61,923,000, representing a slight decrease of 3.4% as compared to the corresponding period in last year. A substantial increase in the general and administrative expenses, primarily attributable to the increases in staff costs and the research and development expenses for the period flattened the profitability growth of the Group. Meanwhile, profits attributable to the owners of the Company was RMB31,003,000, representing an increase of 40.3%. The increase was partly contributed from the fair value adjustments of the convertible notes issued by the Company in which a gain of RMB12,097,000 was recorded for the six months ended 30 June 2012, whereas for the corresponding period in last year, a loss of RMB5,305,000 was recorded. On the basis of excluding these fair value adjustments, profit attributable to the owners of the Company would be adjusted to RMB18,906,000 for the period, representing a 31.0% decrease as compared to the adjusted figures for the corresponding period in last year.

Opportunities and Challenges

The economic environment in China underwent a tough condition in the first half of 2012, in which most of the business enterprises experienced different extent of difficulties as a result of a slowdown in the economic growth in China. The China automobile industry was not immune to this slowdown, where total number of motor vehicles sold increased only by 2.9% to a number of approximately 9,600,000 vehicles. Taking the commercial-type vehicles segment into account solely, a declining trend was even observed. The Group envisages the background reasons for this tough condition during the period are as below:

i. The consequential backlash from the previous aggressive stimulus programs, primarily the large scale direct subsidy programs during 2009 and 2010, which distorted the consumption pattern of motor vehicles, especially the commercial-typed vehicles during this period of time;

ii. The problem of traffic congestion and the government policy in restricting the usage of roads by the private vehicles and the purchase of second vehicle which had adversely affected the buying sentiment of the consumers;

iii. The increasing labour costs and overheads which drove up production costs in the manufacturing sector; and

iv. The implementation of the regulatory measures by the central government for fine-tuning the cyclical fluctuations of the local economy led to uncertainties in the market.

As stated in our previous annual reports, notwithstanding the favourable business environment in previous years, the Group had been conservative when implementing our business strategies and had never underestimated the risks associated with excessive capacities and regulatory changes. Therefore, apart from implementing appropriate capacity expansion strategies, the Group has also undertaken quality service oriented and technical re-engineering programs to further strengthen our product quality standard and technical capability so as to stay competitive in the industry. This combined strategy was proved to be important in this challenging environment. As such, despite the unfavourable market condition, the Group had continued to deliver a set of solid results for the first half of 2012.

The Group is full of confidence in the long term growth potential of the China automobile industry and realizes in business, challenges and opportunities are indistinguishable from each other. An effective business model can translate challenges into opportunities, which to a significant extent, relies on the determined goals and effective strategies of the enterprise.

To cope with the challenges as well as to grasp the opportunities in the automobile industry, the Group has been conscientiously undertaken the following strategies and programs:

a. Technical re-engineering projects such as the specialization programs in our engines and automotive components divisions for the purpose of implementing vertical integration of our existing products, as well as supplying new lines of products to our core and new customers;

b. Business expansion programs aiming at other car manufacturers in China to develop a healthy diversification of businesses of our (1) engines and parts and (2) automotive components and accessories divisions;

c. Various capacity expansion programs in our automotive components and specialized vehicles divisions through the setup of the new production facilities, such as the larger projects in Qingdao and Liuzhou, as well as other minor scale projects in Chongqing, Guilin and Jilin to enhance productivity and to increase capacity to cope with the increasing demands coming from our core and new customers;

d. Strengthening the technical capability through research and innovation with market-oriented strategies to intensify new product development projects aiming at improving our technical know-hows and enhancing the overall profitability of the Group; and

e. Certain upgrading and integration programs for the operations with the objective to improve efficiency and performance standard, as well as to contain cost of production in order to stay highly competitive in the market.

Outlook

The Company envisages business environment in China to be tough and challenging in this year and the years ahead. The consequential backlash from the previous stimulus programs will continue to undermine consumption and adversely affect the operating results of the automobile related enterprises, especially those focused in the commercial-type vehicles segment. Meanwhile, cyclical fluctuations in the local economy will cause market sentiments to be more conservative. However, being the world largest automobile market, the Company is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run. Despite uncertainties under the current market environment, the Company expects the China economy will continue to expand. Rising affluence of the general public attributable to the sustained economic growth will necessarily encourage demands for motor vehicles and provide promising business opportunities to the Group.

Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the China automobile industry will continue to be strengthened. With the continuous support from Liuzhou Wuling, our controlling shareholder and joint venture partner, 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 and accessories; (3) specialized vehicles; and (4) trading and supply services for the first half of 2012 are detailed below:

Engines and Parts

Turnover (based on external sales) of the engines and parts division for the six months ended 30 June 2012 was RMB1,832,665,000, representing an increase of 6.5% as compared to the corresponding period in last year. Operating profit for the respective period was RMB71,403,000, representing a decrease of 28.2%.

Despite a decline in the profitability due to the reasons as explained below, the engines and parts division continued to be the major contributor to the Group's operating profit for the first half of 2012.

During this six-month period, an overall slowdown in the market exerted pressure on the automobile industry where some of the automobile manufacturers in the commercial-type vehicles segments experienced declines in sale volume. However, benefited from the increasing market share resulting from an impressive growing demands for the key products of our core customer, total sale volume of the division was able to be maintained at the level of 380,000 units. Sales to SGMW, our core customer, continued to account for the majority portion of the division's output with the remaining balance supplying to other automobile manufacturers.

For further diversification of the Group's engines and parts business, the Group acquired a majority stake of a company located in Jilin and began to supply engines and parts to the commercial mini-vehicles division of FAW Jilin Automobile Company Limited ("FAW Jilin"). The Group expects the volume of sale to FAW Jilin will be gradually increased in the coming years which will help to promote a more balanced growth for the engines and parts division.

Operating margin eased to 3.9% as compared to 5.8% recorded in the corresponding period in last year. A weakening operating margin performance was primarily due to an increase in the research and development expenses, as well as the adverse effect from the operation of the new foundry facilities of cylinder blocks and cylinder heads which started operation in last year, in which a net operating loss was incurred during the period. The Group envisages the positive effect from this new facility will take some time to crystallize and is currently actively undertaking measures to mitigate this start up issue. The Group is confident the condition will be gradually improved in the second half of the year where the profitability of the division will be benefited.

The Group remains optimistic on the business outlook for the second half of 2012 and believes our product competitiveness in the market and the gradual positive impact from the on-going vertical integration projects will be beneficial to the performance of this division as well as to place the Group in a better position in facing with the current unfavourable market situation.

Automotive Components and Accessories

Turnover (based on external sales) of the automotive components and accessories division for the six months ended 30 June 2012 was RMB2,822,243,000, representing an increase of 10.5% as compared to the corresponding period in last year. Operating profit for the respective period was RMB30,023,000, representing an increase of 29.6%.

The automotive components and accessories division continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. Total sales to SGMW, comprising a range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, continued to increase as compared to the corresponding period in last year and accounted for an overwhelming portion of the turnover in this business division. Same as the engines and parts division, strong demands for the key products of SGMW benefited the business performance of this division for this six-month period. The launch of the first passenger vehicle model — 寶駿630 of SGMW to the market also contributed to the business performance and would provide another promising business potential to this division.

During the period, operating margin experienced a gradual improvement but continued to maintain at a considerable low level as hindered by the pricing pressure from the key customer on the Group's products and the higher administrative costs incurred for various capacity expansion and upgrading projects.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group has been actively undertaken large scale capacity expansion and upgrading programmes which includes: (1) the expansion project for the Qingdao facilities with a target annual capacity of 600,000 units for key automotive components on full completion in 2013; and (2) the new facilities in Hexi Industrial Park, Liuzhou, which has a site area of over 400,000 sqm., in which the first phase is planned to start operation in late 2012. The Group considers these large scale expansion projects are critical to the continuous development of the Group, considering the great business potential of the China automobile industry.

Besides actively upgrade its product standard and capability to cope with the needs of the customers, the Group has also implemented appropriate corporate restructure programmes so as to stay competitive in the industry. During the period, the Group has begun the integration exercise of the operation of this division, which was undertaken by Liuzhou Wuling Motors United Development Limited ("Wuling United"), into Wuling Industrial. This exercise, which will eventually lead to the dissolution of Wuling United, will be beneficial to the division in term of cost saving and efficiency enhancement.

Notwithstanding the current unfavourable market condition, the Group considers the competitive strength of its key customer, SGMW, in the market on the back of its successful models and the launch of new models will continue to provide strong supports to the operation of the automotive components and accessories division in the second half of 2012 and the years onwards.

Specialized Vehicles

Turnover (based on external sales) of the specialized vehicles division for the six months ended 30 June 2012 was RMB886,146,000, representing an increase of 23.2% as compared to the corresponding period in last year. Operating profit for the respective period was RMB36,400,000, representing an increase of 167.7%. The specialized vehicles division was able to keep the momentum of growth since last year despite the aforementioned unfavourable business condition.

During this six months period, notwithstanding slower demand and severe market competition, Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles") continued to sell a total number of 19,600 specialized vehicles, representing a slight increase of 3.2% as compared to the corresponding period in last year.

Operating margin further improved to 4.1% for the period. Nevertheless, the high portion of low margin products, market competition and increasing production costs continued to be the primary concerns for the division to tackle. To enhance the profitability of this division, strategically, the Group has planned to reduce the production of the lower margin redecorated vans and mini-container wagon products so as to reserve more capacity to other more profitable models. Some of these models such as the sight-seeing vehicles and mini school buses have gradually achieved respective prominent market share in their particular market segment since last year.

Meanwhile, the Group is also implementing certain integration programmes similar to the automotive components and accessories division aiming at a better control over the production and marketing to promote cost effectiveness and production efficiency. Together with undertaking the essential research and development projects as well as the marketing programmes for new product, with specific focus on the new energy vehicles, the Group believes the division is better positioned in entering the breakthrough stage for improving the profitability of the division.

Same as other business segment, the Group envisages the challenges facing this division for the second half of 2012. However, the Group remains confident in the long term business potential of this business segment. With the benefits of an effective cost control program in production and management, the Group will take this chance to continuously consolidate its existing business and at the same time explore opportunities both locally and overseas so as to fostering a breakthrough business performance to this division.

Trading and Supply Services

Turnover (based on external sales) of the trading and supply services division for the six months ended 30 June 2012 was RMB457,772,000, representing an increase of 95.0% compared to the corresponding period in last year. Inter-segment sales which were primarily contributed from the sales of metal and production materials to Wuling United and Wuling Specialized Vehicles was RMB315,306,000. Operating profit for the respective period was RMB20,331,000, representing an increase of 110.2%.

In line with strong market performances of our core customer, the trading and supply services division experienced an increase in business volume during this six-month period and continued to provide a steady income stream to the Group.

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.

Overall, the Group is confident in the business prospect of SGMW as supported by its successful models in the market. Besides, the launch of new models will continue to benefit the trading and supply services division in the second half of 2012 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 2012 was RMB5,998,983,000, representing an increase of 14.7% as compared to the corresponding period in last year, which was mainly attributable to the continuous growth of business volume for our key customer despite the unfavourable economic environment and the weakening market sentiment as affected by a slowdown in the economic growth in China.

Gross profit for the period under review was RMB593,487,000, representing an increase of 38.9%. Increases in revenue and the gradual improvement in the operations of the automotive components and specialized vehicles divisions benefited the margin performance, in spite of the adverse effects from a steadily lower selling price of the Group's products and the operating losses incurred for the new operation facilities of the engines division during the period.

Gross margin of the Group improved to 9.9% during this period as compared to 8.2% recorded in the corresponding period in last year. The single digit gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Net profit of the Group for the first half of 2012 was RMB61,923,000, representing a slight decrease of 3.4% as compared to the corresponding period in last year. A substantial increase in the general and administrative expenses, primarily attributable to the increase in staff costs and the research and development expenses for the period flattened profitability growth of the Group. Meanwhile, profits attributable to the owners of the Company was RMB31,003,000, representing an increase of 40.3%. The increase was partly contributed from the fair value adjustments of the convertible notes issued by the Company in which a gain of RMB12,097,000 was recorded for the six months ended 30 June 2012, whereas for the corresponding period in last year, a loss of RMB5,305,000 was recorded. On the basis of excluding these fair value adjustments, profit attributable to the owners of the Company would be adjusted to RMB18,906,000 for the period, representing a 31.0% decrease as compared to the adjusted figures for the corresponding period in last year.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB42,708,000 for the six months ended 30 June 2012, representing a decrease of 43.6% as compared to the corresponding period in last year as a result of a decrease in the sales of scrap materials during the period.

During the period, the Group completed the disposal of certain non-core business related assets in Hong Kong to reduce its debt positions and to generate working capital to the Group, which resulted in a net gain on disposal of approximately RMB1,710,000.

Distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB155,547,000 for the six months ended 30 June 2012, representing an increase of 32.0% as compared to the corresponding period in last year. The increase was in line with the growth in business volume for the period.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB341,104,000 for the six months ended 30 June 2012, representing an increase of 35.6% as compared to the corresponding period in last year. The increase was mainly attributable to the substantial increase in the research and development expenses and the staff costs during the period.

Research and development expenses for the six months ended 30 June 2012 amounted to RMB59,171,000, representing an increase of 162.1% as compared to the corresponding period in last year. The Group will continue to prudently carry out research and development projects in accordance with the strategic plan in furthering its future business opportunities.

Finance costs for the six months ended 30 June 2012 amounted to RMB61,879,000, representing an increase of 25.9% as compared to the corresponding period in last year, which was mainly due to the increases in borrowings during the period. The balances had also included the finance cost of RMB4,259,000 incurred for the convertible loan notes issued by the Company.

Basic earnings per share for the six months ended 30 June 2012 was RMB2.65 cents, representing an increase of 31.2% as compared to the corresponding period in last year, whereas, earnings per share on fully diluted basis was RMB1.77 cents, representing a decrease of 12.4%, in which the effect arising from the fair value adjustment on the convertible loan notes issued by the Company was excluded in the calculation.

Financial Positions

As at 30 June 2012, total assets and total liabilities of the Group stood at RMB11,994,225,000 and RMB10,766,207,000 respectively.

Non-current assets amounted to RMB1,618,038,000 comprised mainly property, plant and equipment, prepaid lease payments, deposits paid for acquisition of non-current assets and goodwill on acquisition of a subsidiary, etc.

Current assets amounted to RMB10,376,187,000 comprised mainly inventories of RMB562,715,000, trade and other receivables and bill receivables discounted with recourse of RMB7,365,572,000, cash and cash equivalents (inclusive of pledged bank deposits) of RMB2,443,774,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB3,094,099,000 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 RMB2,443,774,000, in which RMB1,129,112,000 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 RMB570,135,000 as at 30 June 2012.

Contrary to the unusual condition towards to end of 2011, the interest rates applicable to the bill receivables discounted activities was back to normal in the first half of 2012. The Group had therefore gradually resumed its ordinary bill receivables discounted activities in raising working capital for our operations and repaid certain portion of our short term bank borrowings during the period. Accordingly, a substantial increase in the amount of bills receivables discounted with recourse was recorded as at 30 June 2012 as compared to the reported figures as at 31 December 2011.

Current liabilities amounted to RMB10,340,871,000, comprised mainly trade and other payables and advances drawn on bill receivables discounted with recourse of RMB8,931,447,000, amount due to shareholders of RMB513,956,000, provision for warranty of RMB133,658,000, tax payable of RMB12,652,000, bank borrowings — due within one year of RMB742,412,000 and derivative financial instrument of RMB6,746,000. Amount due to shareholders recorded under current liabilities refers to the account payable to Liuzhou Wuling, the ultimate controlling shareholder of the Company and the joint venture partner of Wuling Industrial. 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 2012.

As explained above, due to the change of the financing strategy in response to the market condition, the Group engaged in more bill receivables discounted activities to raise working capital and repaid a significant portion of our short term bank borrowings during the period. Accordingly, short term bank borrowings were decreased, whereas, advances drawn on bill receivables discounted were increased substantially as at 30 June 2012 as compared to the reported figures as at 31 December 2011.

Net current assets decreased to RMB35,316,000 as at 30 June 2012 from RMB217,312,000 as at 31 December 2011.

Non-current liabilities amounted to RMB425,336,000 comprised mainly bank borrowings of RMB2,115,000, the liability component of the convertible loan notes of RMB77,445,000 and the amount due to Liuzhou Wuling and Wuling HK of RMB244,837,000 and RMB81,473,000 respectively.

Liquidity and Capital Structure

The Group was operating under a net cash inflow position for the six months ended 30 June 2012, in which net cash from operating activities amounted to RMB390,956,000.

As at 30 June 2012, the Group maintained cash and cash equivalents of RMB1,314,662,000, which was increased by RMB464,816,000 as compared to the reporting balances as at 31 December 2011.

Group's bank borrowings decreased from RMB1,197,920,000 as at 31 December 2011 to RMB744,527,000 as at 30 June 2012. Apart from bank borrowings, the Company also maintained a five-year convertible loan notes with principal amount of HK$100,000,000 and maturity date on 12 January 2014 and a shareholder loan of HK$100,000,000 owed to Wuling HK, the controlling shareholder of the Company.

Overall, the Group had cash net of bank borrowings amounting to RMB570,135,000 as at 30 June 2012.

As 30 June 2012, the Group had a gearing ratio of 60.6% calculated based on the Group's total bank borrowings and the Group's net assets, which was decreased as compared to the gearing ratio as recorded at 31 December 2011.

Issued capital maintained at RMB4,524,000 as at 30 June 2012 as there was no capital issuing activities took place in this six-month period.

The Company will closely monitor the financial and liquidity position of the Group, as well as the situation of the financial market from time to time in arriving as an appropriate financing strategy for the Group.

Total shareholders' equity comprised primarily the share premium account, contributed surplus, other reserves and retained profits, amounted to RMB513,476,000 as at 30 June 2012. Net asset value per share was RMB43.9 cents as at 30 June 2012.

Pledge of Assets

At 30 June 2012, the properties held by the Group in Hong Kong with an aggregate value of RMB2,247,000 were pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB1,129,112,000 and bills receivables discounted with recourse amounting to RMB1,727,577,000 were pledged to the banks mainly to secure certain banking facilities offered to the member companies of the Wuling Industrial Group.

Exposure to Fluctuation in Exchange Rates

At 30 June 2012, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB5,165,000, Hong Kong dollar shareholder loan of an aggregate amount of RMB84,526,000, Hong Kong dollar bank deposits of an aggregate amount of RMB6,571,000, Hong Kong dollar trade and other payables of RMB3,958,000 and Hong Kong dollar convertible loan notes with principal value amounting to RMB77,445,000. 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

At 30 June 2012, the Group has outstanding commitments, contracted but not provided for in the financial statements, mainly in respect of the acquisitions of construction in progress and property, plant and equipment amounting to RMB318,058,000, which included primarily the outstanding consideration payable for the acquisition of a factory premise and certain production facilities in Qingdao and four pieces of industrial land in Liuzhou.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2012 (Period ended 30 June 2011: HK1 cent).

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 2012 (Period ended 30 June 2011: 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 was well aware that there are amendments to the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange sets out the principles of good corporate governance and the code provisions as set out in the CG Code. During the period, the Company has complied with the CG Code and has established the Nomination Committee of the Company which comprises three independent non-executive directors, namely Mr. Yu Xiumin (the Chairman), Mr. Zuo Duofu and Mr. Ye Xiang, and two executive directors, namely Mr. Sun Shaoli and Mr. Lee Shing for the purpose of, *inter alia*, reviewing the composition and effectiveness of the board functioning, as well as to assessing or making recommendation on relevant matters relating to the appointment and/or re-appointment of directors. The terms of reference of the Nomination Committee are disclosed on the website of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code for Securities Transaction by Directors of Listed Issuers, as amended from time to time, (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Own Code and the Model Code throughout the period ended 30 June 2012.

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, has been established in accordance with the requirements of the CG Code, amended from time to time, for the purpose of reviewing and providing, inter alia, supervision over the Group's financial reporting process and internal control and maintain an appropriate relationship with the Company's auditor. 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 2012 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 2012 has also been reviewed by the Audit Committee.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2012, the Group had approximately 11,000 employees, including 6,700 staff members and 4,300 workers. Total staff costs for the six months ended 30 June 2012 were approximately RMB282,923,000. 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 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 2012 containing all information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk and the Company at www.wuling.com.hk 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, 28 August 2012