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 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	**Change**
	RMB'000	*RMB'000*	*(%)*
	(Unaudited)	(Unaudited)	
Revenue	**6,473,752**	6,489,908	-0.2
Gross profit	**707,842**	648,005	+9.2
Profit for the period	**71,973**	74,955	-4.0
Profit attributable to the owners of the Company	**32,233**	42,905	-24.9
Profit for the period, adjusting for the change in fair value of the derivative financial instrument embedded with the convertible loan notes issued by the Company	**73,255**	68,883	+6.3
Profits attributable to the owners of the Company, adjusting for the change in fair value of the derivative financial instrument embedded with the convertible loan notes issued by the Company	**33,515**	36,833	-9.0

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 2014.

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**6,473,752**	6,489,908
Cost of sales		**(5,765,910)**	(5,841,903)
Gross profit		**707,842**	648,005
Other income		**26,590**	21,496
Other gains and losses	*4*	**(27,617)**	9,635
Selling and distribution costs		**(170,522)**	(154,460)
General and administrative expenses		**(402,131)**	(383,089)
Share of results of joint ventures		**(396)**	323
Finance costs		**(46,130)**	(47,834)
Profit before taxation		**87,636**	94,076
Income tax expense	*5*	**(15,663)**	(19,121)
Profit for the period	*6*	**71,973**	74,955
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operation		**2,288**	811
Total comprehensive income for the period		**74,261**	75,766
Profit for the period attributable to:			
Owners of the Company		**32,233**	42,905
Non-controlling interests		**39,740**	32,050
		71,973	74,955
Total comprehensive income for the period attributable to:			
Owners of the Company		**34,521**	43,716
Non-controlling interests		**39,740**	32,050
		74,261	75,766
Earnings per share	*8*		
— Basic		**2.58 cents**	3.66 cents
— Diluted		**2.58 cents**	3.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,681,005**	1,581,116
Prepaid lease payments	*9*	**198,156**	211,692
Premium on prepaid lease payments		**910**	922
Investment properties	*9*	**7,187**	7,130
Intangible assets		**628**	628
Interests in joint ventures		**67,707**	68,103
Goodwill		**–**	5,252
Deposits for acquisition of property, plant and equipment		**309,820**	209,756
Deposit paid for acquisition of an equity investment		**22,000**	22,000
		2,287,413	2,106,599
CURRENT ASSETS			
Inventories		**902,011**	1,189,408
Trade and other receivables	*10*	**6,059,370**	5,868,265
Prepaid lease payments	*9*	**4,452**	4,731
Tax recoverable		**–**	1,166
Pledged bank deposits		**1,043,122**	723,349
Bank balances and cash		**175,311**	313,465
		8,184,266	8,100,384
CURRENT LIABILITIES			
Trade and other payables	*11*	**7,563,561**	7,031,265
Amounts due to shareholders		**21,896**	249,283
Amount due to a related party		**14,294**	–
Provision for warranty		**162,450**	158,698
Tax payable		**25,642**	29,054
Derivative financial instrument	*12*	**–**	–
Convertible loan notes	*12*	**–**	83,228
Bank borrowings	*13*	**901,744**	820,850
		8,689,587	8,372,378
NET CURRENT LIABILITIES		**(505,321)**	(271,994)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,782,092**	1,834,605

	NOTE	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Amounts due to shareholders		**169,719**	446,384
Deferred income		**20,472**	21,206
Deferred tax liabilities		**15,618**	16,376
		205,809	483,966
		1,576,283	1,350,639
CAPITAL AND RESERVES			
Share capital	*14*	**5,627**	4,529
Reserves		**771,036**	581,330
Equity attributable to owners of the Company		**776,663**	585,859
Non-controlling interests		**799,620**	764,780
		1,576,283	1,350,639

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Group's principal operations are conducted in the People's Republic of China (the "PRC"). The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In preparing the interim financial information, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group's current liabilities exceed its current assets by RMB505,321,000 at as 30 June 2014 (31 December 2013: RMB271,994,000). The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the available borrowing facilities of RMB57,226,000 (31 December 2013: RMB166,868,000), estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

In addition, Liuzhou Wuling Motors Company Limited ("Liuzhou Wuling"), the ultimate holding company, has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the directors of the Company believe that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis without including any adjustments that would be required should the Group fail to continue as a going concern.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

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 related parts *RMB'000*	Automotive components and other industrial services *RMB'000*	Specialized vehicles *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2014						
REVENUE						
External sales	**1,440,449**	**4,026,128**	**1,007,118**	**57**	**–**	**6,473,752**
Inter-segment sales	**30,869**	**1,929**	**–**	**–**	**(32,798)**	**–**
Total	**1,471,318**	**4,028,057**	**1,007,118**	**57**	**(32,798)**	**6,473,752**
Segment profit (loss)	**45,117**	**108,141**	**15,301**	**(2,770)**		**165,789**
Bank interest income						**12,675**
Central administration costs						**(26,318)**
Change in fair value of derivative financial instrument						**(1,282)**
Impairment loss on goodwill						**(5,252)**
Impairment loss on prepaid lease payments						**(11,450)**
Share of results of joint ventures						**(396)**
Finance costs						**(46,130)**
Profit before taxation						**87,636**
Six months ended 30 June 2013 (restated)						
REVENUE						
External sales	1,830,298	3,620,964	1,034,725	3,921	–	6,489,908
Inter-segment sales	24,537	–	–	–	(24,537)	–
Total	1,854,835	3,620,964	1,034,725	3,921	(24,537)	6,489,908
Segment profit (loss)	69,070	57,097	19,207	(293)		145,081
Bank interest income						14,142
Change in fair value of investment properties						346
Central administration costs						(24,054)
Change in fair value of derivative financial instrument						6,072
Share of result of a joint venture						323
Finance costs						(47,834)
Profit before taxation						94,076

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Change in fair value of derivative financial instruments	**(1,282)**	6,072
(Loss) gain on disposal of property, plant and equipment	**(9,578)**	98
Gain on revaluation of investment properties	**–**	346
Impairment loss on goodwill	**(5,252)**	–
Impairment loss on prepaid lease payments	**(11,450)**	–
Net exchange (loss) gain	**(55)**	3,119
Other gains and losses	**(27,617)**	9,635

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Tax charge represents:		
PRC Enterprise Income Tax ("EIT")		
Current period	**21,926**	24,174
(Over)underprovision in prior years	**(5,492)**	8,230
	16,434	32,404
Deferred tax		
Current period	**(771)**	(13,283)
	15,663	19,121

The PRC

Under the Law of the PRC on EIT (the "EIT Law") and its implementation regulations, the EIT tax rate applicable to the Group's PRC subsidiaries is 25% from 1 January 2008 onwards. However, as the PRC subsidiaries are situated in specified provinces in Western China, according to the relevant regulations, provided that they are engaged in government-encouraged industries to the extent of 60% of their business, they are entitled to a preferential EIT rate of 15%. In the opinion of the directors, during the current interim period, all the Group's major PRC subsidiaries qualified for the preferential EIT rate.

Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") had previously estimated its EIT provision for the year ended 31 December 2013 using the standard EIT rate of 25% but subsequently found that it fulfilled all the conditions required for the preferential treatment for EIT rate of 15%. Accordingly, an overprovision of EIT of RMB5,492,000 was recognized in profit or loss for the current interim period.

The EIT Law also required withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders. Prior to the last interim period, the Group had accrued withholding tax at the rate of 10% pending clarification from the relevant tax authority.

In July 2013, the Group received confirmation from the relevant tax authority that it was entitled to a withholding tax rate of 5% effective from October 2009. Accordingly, a reversal of withholding tax previously provided as deferred tax, amounting to RMB14,836,000, was recognized in profit or loss for the six months ended 30 June 2013.

Hong Kong

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

No provision for taxation has been made as the Group has no assessable profits in Hong Kong for both periods.

6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**1,823**	2,012
Other staff costs	**271,590**	249,623
Retirement benefit scheme contributions, excluding directors	**55,319**	50,868
Total staff costs	**328,732**	302,503
Property rental income	**(993)**	(185)
Cost of inventories recognized as an expense	**5,765,910**	5,841,903
Depreciation of property, plant and equipment	**85,354**	75,758
Impairment loss on trade receivables	**1,580**	–
Release of prepaid lease payments (included in general and administrative expenses)	**2,365**	2,499
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)	**104,341**	87,440
Reversal of allowance for inventories, net(included in cost of sales)	**(1,198)**	–
Bank interest income	**(12,675)**	(14,142)

7. DIVIDEND

During the current interim period, a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2013 (2013: HK0.5 cent per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend paid in the current interim period amounted to HK$7,585,000 (or equivalent to RMB6,004,000) (2013: HK$5,855,000 or equivalent to RMB4,709,000).

The directors of the Company have determined that no dividend will be paid in respect of the current interim period (2013: Nil).

8. 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	
	2014	2013
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**32,233**	42,905
Effect of dilutive potential ordinary shares:		
Interest and exchange difference on convertible loan notes	**–**	4,394
Change in fair value of derivative financial instruments	**–**	(6,072)
Earnings for the purpose of diluted earnings per share	**32,233**	41,227

	For the six months ended 30 June	
	2014	2013
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,248,431**	1,171,002
Effect of dilutive potential ordinary shares:		
Share options	**33**	6,364
Convertible loan notes	**–**	136,986
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,248,464**	1,314,352

No adjustment for convertible loan notes was made in calculating diluted earnings per share for the current interim period as the conversion of convertible loan notes would result in increase in earnings per share.

9. MOVEMENTS IN PREPAID LEASE PAYMENTS, INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Prepaid lease payments

During the current interim period, the directors of the Company conducted a review of the recoverable amount of land leases of Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng") and determined that one of the land lease was impaired, due to cease of operation of Jilin Chuofeng. Management determined that the fair value less costs to sell of the land lease is less than its carrying amount. Accordingly, an impairment loss of RMB11,450,000 was recognized in profit or loss. The estimated fair value less costs to sell is determined by reference to the recent market prices for similar assets.

Investment properties

The Group's investment properties on 30 June 2014 were fair valued 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 properties in the similar locations and conditions.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the price per square feet, which ranged from RMB4,200 to RMB4,400 and RMB1,200 to RMB1,800. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment property and vice versa.

The fair value hierarchy of the Group's investment properties as at 30 June 2014 and 31 December 2013 are categorized as level 3.

There were no transfers into or out of Level 3 during the period.

For the current interim period, no fair value change was recognized by the Group attributable to its investment properties in profit or loss (2013: a gain of RMB346,000).

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

Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to RMB200,009,000 (2013: RMB263,562,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB14,768,000 (2013: RMB590,000) for a cash proceeds of RMB5,190,000 (2013: RMB688,000), resulting in a loss on disposal of RMB9,578,000 (2013: gain on disposal of RMB98,000).

10. TRADE AND OTHER RECEIVABLES

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

An aged analysis of trade and bills receivables (net of allowance for doubtful debts) based on the invoice date or bills issue date are presented as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
0 to 90 days	**3,231,738**	3,412,032
91 to 180 days	**1,569,086**	1,254,741
181 to 365 days	**14,316**	17,167
Over 365 days	**16,348**	3,991
	4,831,488	4,687,931

11. TRADE AND OTHER PAYABLES

An aged analysis of trade and bills payables based on the invoice date or bills issue date is as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
0 to 90 days	**4,791,758**	4,866,235
91 to 180 days	**1,979,042**	1,481,024
181 to 365 days	**55,968**	17,831
Over 365 days	**23,188**	62,936
	6,849,956	6,428,026

12. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

(a) CN 2014

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. 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 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.

CN 2014 contains two components, being a liability component and a conversion option derivative component.

CN 2014 has been redeemed at par after the maturity date on 28 January 2014, as the repayment of the outstanding principal was mutually agreed to be postponed.

The movements of the liability component of CN 2014 during the period are set out below:

	For the six months ended 30 June	
	2014 *RMB'000*	2013 *RMB'000*
At the beginning of the period	**83,228**	81,869
Effective interest expense	**499**	4,394
Interest paid	**(4,958)**	(4,825)
Repayment of principal	**(79,159)**	–
Exchange difference	**390**	(1,911)
At the end of the period	**–**	79,527

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	
	2014	2013
	RMB'000	*RMB'000*
At the beginning of the period	–	7,534
Changes in fair value recognized in profit or loss during the period	–	(6,072)
At the end of the period	–	1,462

(b) CN 2017

On 28 January 2014, the Company issued convertible loan notes with an aggregate principal sum of HK$200,000,000 at par (equivalent to approximately RMB157,200,000) to Wuling HK ("CN 2017"). CN 2017 is denominated in Hong Kong dollars and carries interest at 4.25% per annum with maturity on 28 January 2017. CN 2017 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 28 January 2014 upto the fifth business days prior to the maturity date, at a conversion price of HK$0.58 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2017 will be redeemed on the maturity date at par.

The principal sum of CN 2017 was settled by setting off against the principal amount of HK$100,000,000 of CN 2014, as defined in note 12(a) and amount due to a shareholder of HK$100,000,000.

The fair values of the liability component and conversion option derivative component at initial recognition of HK$175,737,000 (approximately RMB138,129,000) and HK$51,573,000 (approximately RMB40,689,000) respectively are determined based on a valuation provided by RHL, independent professional qualified valuers not connected with the Group. Subsequent to initial recognition, the liability component is carried at amortized cost using the effective interest method at an interest rate of 9.22% per annum.

During the current interim period, the entire amount of CN 2017 was converted into 344,827,586 ordinary shares of the Company at the conversion price of HK$0.58 per share.

The movement of the liability and conversion option derivative components of CN 2017 during the period is as follows:

	Liability component	**Conversion option derivative component**
	RMB'000	*RMB'000*
At date of issue	138,129	19,071
Effective interest expense	4,004	–
Change in fair value during the period	–	1,282
Interest accrued	(2,225)	–
Conversion during the period	(141,337)	(20,553)
Exchange difference	1,429	200
At 30 June 2014	–	–

13. BANK BORROWINGS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Secured	**953**	43,205
Unsecured	**330,890**	247,526
	331,843	290,731
Advances drawn on bills receivable discounted with recourse *(note)*	**569,901**	530,119
Amount due on demand or within one year	**901,744**	820,850

note: The amount represents the Group's other borrowings secured by the bills receivable discounted to banks with recourse.

The Group's bank 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 2.2% to 7.22% (2013: 2.2% to 6%) per annum and are repayable in installments over a period of 1 to 8 years (2013: 1 to 8 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 2013, 31 December 2013 and 30 June 2014		101,521
Ordinary shares issued and fully paid:		
As at 1 January 2013	1,170,605,390	4,682
Exercise of share options	1,560,000	6
As at 31 December 2013	1,172,165,390	4,688
Exercise of share options	1,000,000	4
Conversion of convertible loan notes	344,827,586	1,379
As at 30 June 2014	1,517,992,976	6,071

	RMB'000
Shown in the condensed consolidated financial statements as:	
— 31 December 2013	4,529
— 30 June 2014	5,627

15. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, the Share Option Scheme with an expiry date on 27 May 2022 was adopted by the Company.

The table below discloses movement of the Company's share options held by the Group's directors and employees under the Share Option Scheme:

	Number of share options		
	Directors	**Employees (Continuous Contracts)**	**Total**
Outstanding at 1 January 2014	18,000,000	85,690,000	103,690,000
Exercised during the period	–	(1,000,000)	(1,000,000)
Forfeited during the period	–	(5,100,000)	(5,100,000)
Outstanding at 30 June 2014	18,000,000	79,590,000	97,590,000

Included in the share options granted to employees were 1,600,000 share options which were granted to an employee of the Company who is spouse of Mr. Lee Shing, executive Director of the Company.

16. CAPITAL AND OTHER COMMITMENTS

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of:		
— construction in progress	**140,435**	207,782
— property, plant and equipment	**181,091**	133,644
	321,526	341,426

17. OPERATING LEASES

The Group as lessee

Minimum lease payments made under operating leases during the period was RMB18,605,000 (2013: RMB19,263,000).

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 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within one year	**30,666**	30,341
In the second to fifth year inclusive	**15,165**	29,498
	45,831	59,839

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

18. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 23 January 2013, Wuling Industrial, acquired an additional 2% equity interest in Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited from Liuzhou Wuling at a consideration of RMB1,792,000. Details of the acquisition were disclosed in the Company's announcement dated 23 January 2013.

19. RELATED PARTY DISCLOSURES

Related party transactions

Company	Relationship	Transactions	For the six months ended 30 June **2014** *RMB'000*	2013 *RMB'000*
Liuzhou Wuling Group	Liuzhou Wuling, being substantial shareholder of the Group, and its affiliates	Sales of raw materials and automobile components by the Group	**182,086**	170,208
		Purchase of automobiles component and other accessories by the Group	**64,354**	43,632
		Purchases of mini passenger buses by the Group	**105,284**	153,671
		Purchase of air-conditioning parts and accessories by the Group	**1,993**	3,613
		License fee paid by the Group	**650**	650
		Rental expenses paid by the Group	**13,328**	14,113
		Procurement services of water and power by the Group	**1,608**	574
		Purchases of electronic devices and components by the Group	**4,133**	3,538
		Interest expenses paid by the Group on		
		— Amounts due to shareholders	**2,350**	8,522
		— Advances drawn on bills receivables	**14,888**	7,544
		Acquisition of additional interest in a subsidiary *(note 18)*	**–**	1,792
Qingdao Dianshi Motors Accessories Company Limited	Joint venture	Purchase of automobiles component and other accessories by the Group	**31,860**	36,010

Company	Relationship	Transactions	For the six months ended 30 June **2014** *RMB'000*	2013 *RMB'000*
Guangxi Weixiang Machinery Company Limited	Joint venture	Sales of raw materials and automobile components by the Group	**28,093**	–
		Rental income received by the Group	**792**	–
SAIC-GM-Wuling Automobile Co., Limited	Related party	Sales by the Group	**4,168,039**	4,215,096
		Purchase of materials by the Group	**758,586**	1,072,187
		Warranty costs incurred by the Group	**9,067**	12,909
Jenpoint Limited	Related party	Interest expense paid by the Group	**29**	–

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 2014.

Despite a challenging business environment during the first six months of 2014, supported by the continuous growth in the local economy, the automobile industry in China maintained its momentum of growth. Total number of motor vehicles sold in China increased steadily by 8.4% as compared to the corresponding period in last year and reached 11.68 million vehicles, which was mainly attributable to the growth from the passenger vehicles segment, whereas, the performance of the commercial-type vehicles segment, which the Group focused on remained stable during the period. A relatively stable economic environment and neutral government policies nurture healthy demands and positive sentiments, and essentially, are more conducive to the sustainable growth of the automobile industry in China. In line with the market condition of the commercial-type vehicles segment, during the first half of 2014, the Group recorded total revenue of RMB6,473,752,000, maintained at the same level as compared to the corresponding period in last year.

Gross profit for the period under review was RMB707,842,000, representing an increase of 9.2%. Increases in revenue and gradual improvement in the operations of the new facilities of the automotive components division as well as the foundry facilities of the engines division continued to benefit the margin performance of the Group, in spite of the adverse impact from a slowdown of business in the specialized vehicles division and a decline in the sale volume of the engines division during the period.

Net profit of the Group for the first half of 2014 was RMB71,973,000, representing a decrease of approximately 4% as compared to the corresponding period in last year. Losses and expenses incurred in the relocation of certain production facilities and further integration programmes took place during the period adversely affected the profitability performance. Profits attributable to the owners of the Company was RMB32,233,000, representing a decrease of 24.9%. Apart from the above factors, the decrease was also substantially attributable to the positive impact of the tax refund arising from the withholding tax rate reduction as reported in last year and the fair value adjustments of the convertible notes issued by the Company in which a loss of RMB1,282,000 was recorded for the period as compared to a gain of RMB6,072,000 recorded for the corresponding period in last year. The convertible loan notes which were issued to Wuling (Hong Kong) Holdings Limited, ("Wuling HK"), our controlling shareholder, in January 2014 were fully exercised in May 2014 at a conversion price of HK$0.58 per ordinary share of the Company, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK. The conversion demonstrated the long term commitment of Wuling HK in the Company, whereas, the issue of these new ordinary shares also helped to further strengthen the capital base of the Company.

Opportunities and Challenges

The economic environment in China continued to undergo certain structural adjustments during the first half of 2014. However, the sign of stabilizing on the back of more active government measures and a recovery of industrial demands is becoming more imminent which eventually favors the growth of the China economy. Despite an improving market sentiment in general, it is inevitable that different enterprises in different economic aspects have to face different extent of challenges and difficulties in this stage of development. According to the data released by China Association of Automobile Manufacturers, the optimistic trend of the automobile industry in China continued in the first half of 2014 where total number of motor vehicles sold in China increased steadily by 8.4% as compared to the corresponding period in last year and reached 11.68 million vehicles. Such increase was, however, mainly attributable to the growth in passenger vehicles. When taking the Group focused commercial-type vehicles segment into account solely, the business condition remained stable. As a major participant in the commercial-type vehicles segment in China, the Group envisages challenges and difficulties from the economic environment and government policies would continue to exert significant impact on the Group business strategies and performance.

While the Group has been actively monitoring the changing business environment when implementing business strategies, it has also 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 services oriented and technical re-engineering programs to further strengthen our product quality standard and technical capability so as to stay competitive in the industry. The Group believes this combined strategy is essential for the corporate development of an enterprise in this challenging environment.

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 to each other. An effective business model can translate challenges into opportunities, which to a great extent, relies on the determined goals and effective strategies of the enterprises.

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 to 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 other geographical regions to enhance productivity and to increase capacity to cope with the increasing demands coming from our core and new customers;

d. Strengthening of the technical capability through research and innovation with market oriented strategies to intensify new product development projects aiming at improving our technical know 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 Group envisages business environment in China to be highly competitive and challenging in this year and the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group 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 the challenges and difficulties faced under the current market environment, the Group 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 supports from Liuzhou Wuling Motors Company Limited ("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 three main business segments namely (1) engines and parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the first half of 2014 are detailed below:

Engines and Parts

Turnover (based on external sales) of the engines and parts division for the six months ended 30 June 2014 was RMB1,440,449,000, representing a decrease of 21.3% as compared to the corresponding period in last year. Operating profit for the respective period was RMB45,117,000, representing a decrease of 34.7%.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the first half of 2014 was approximately 270,000 units, representing a decrease of approximately 15.6% as compared to corresponding period in last year. Revenue generated from sales of products other than engine sets was approximately RMB93,000,000, accounting for about 6.5% of the total turnover of this division.

During this period, sales to SGMW, our core customer, was reduced, but continued to account for the majority portion of the division's revenue. As reported earlier, gradual increases in the application of self-produced engines by SGMW in its operations resulted in a reduction in sales to SGMW. However, such reduction was partly compensated by the contribution from other customers' sales and additional revenue generated from the sales of the new products other than the engine sets.

For further expansion and diversification of the Group's engines and parts businesses, Wuling Liuji has been actively pursuing projects for other automobile manufacturers over the years. Sales, primarily engine sets, to other customers amounted to approximately RMB520,000,000 for the first half of 2014, representing approximately 36% of the total revenue of this division.

Operating margin decreased to 3.1% as compared to 3.8% recorded in the corresponding period in last year. During this period, operating margin performance continued to be adversely affected by the loss-making operations of the foundry facilities and the tough business environment with declining orders from customers for the engine sets. As a positive note, since the commencement of scale productions in last year, the loss making situation of the foundry facilities had been gradually improved during the period and the Group is confident the positive effect from the foundry facilities will be gradually crystallized in the near future where the profitability performance of the division will be benefited.

For further integration of operations within the division, during the period, Wuling Liuji decided to terminate the operation of the non-wholly owned subsidiary in Jilin. Owing to this, impairment losses of RMB16,702,000 were made on the goodwill and certain fixed assets. It is expected the cessation of operation of this non-wholly owned subsidiary will not have any material impact to the operations of the engines and parts division as the potential orders will be taken up by other subsidiaries within this division.

Sales of agricultural machinery products remained stable during the first half of 2014 and accounted for only a small portion of the total revenue of this division.

The Group remains optimistic on the business outlook of the second half of 2014 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 keep the Group in a better position in facing with the current keen competitive market situation.

Automotive Components and Other Industrial Services

Turnover (based on external sales) of the automotive components and other industrial services division for the six months ended 30 June 2014 was RMB4,026,128,000, representing an increase of 11.2% as compared to the corresponding period in last year. Benefited from the launches of new models and the positive effects from the cost control and integration exercises, operating profit for the respective period was significantly improved to RMB108,141,000, representing an impressive increase of 89.4%.

Following the integration exercise of the operation of Liuzhou Wuling Motors United Development Limited ("Wuling United"), into Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") completed in last year, the former operating segments of automotive components and accessories division and the trading and supply services division were combined together to become one segment namely, automotive components and other industrial services division so as to, appropriately and effectively reflect the decision making processes involved in the resource allocation among different operating segments as well as the assessment of their respective performance. The comparative figures for the corresponding period in last year as shown in this section were the aggregate numbers of the former automotive components and accessories division and the former trading and supply services division.

The automotive components and other industrial services division continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. Total sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, continued to increased during the period and accounted for nearly 80% of the total turnover for this business division. Strong demands for and the increasing market share achieved by the key products of SGMW benefited the business performance of this division during this period. Besides, the satisfactory market performance of the passenger vehicles models such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) of SGMW also contributed to the business performance and provide another promising business potential to this division.

Meanwhile, sales to other customers comprising specific automotive components and other industrial services amounted to approximately RMB830,000,000, which was gradually increased during the period.

During the period, operating margin continued to improve resulting from scale operations and the positive effects from the cost control and integration exercises, despite 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 which has been fully completed 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 second phase has started operational in early 2014. 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. Meanwhile, potential projects responding to the business development of the core customer's planned new facilities in other regions and for the passenger vehicles' components have also been under consideration which could gradually be launched in the near future.

Besides actively upgrade its product standard and capability to cope with the needs of customers, the Group has also implemented appropriate corporate restructure programmes so as to stay competitive in the industry. As mentioned above, the Group completed the integration exercise of the operation of this division, which was previously undertaken by the subsidiary Wuling United into Wuling Industrial in last year. The positive impact from this integration exercise has gradually been reflected in the performance of the division and the Group in term of cost saving and efficiency enhancement.

Notwithstanding the highly competitive 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 other industrial services division in the second half of 2014 and the years onwards.

Specialized Vehicles

Turnover (based on external sales) of the specialized vehicles division for the six months ended 30 June 2014 was RMB1,007,118,000, representing a decrease of 2.7% as compared to the corresponding period in last year. Operating profit for the respective period was RMB15,301,000, representing a decrease of 20.3%. Due to a gradual shift of the principal products, the specialized vehicles division experienced a slowdown in the business in which the sale volume of the redecorated vans was in particular decreased as compared to the corresponding period in last year.

During this period, the Group sold approximately 22,000 specialized vehicles, representing a decrease of 8.3% as compared to the corresponding period in last year. As mentioned above, the decrease was mainly attributable to a decrease in the sale volume of redecorated vans, whereas overall steady growth was maintained for other main products such as mini-school buses, mini-buses and multi-purpose mini-vans, etc. The specialized vehicles division has been actively promote new models to expand its product range and business volume, as well as to enhancing its profitability. Amongst them, the most remarkable are the sight-seeing cars and mini-school buses, which have both successfully achieved respective prominent market share in their particular market segment at present.

Operating margin reduced to 1.5% for the period. High portion of low margin products, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of research and development and warranty incurred for the launches of new products also limited the profitability performance of this division. 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 wagons products so as to reserve more capacity to other more profitable models, such as the mini-school buses and sight-seeing cars as abovementioned. The Group expects the business development costs incurred for these new models will benefit the profitability performance.

At the same time, the specialized vehicles division is also undertaking certain integration programmes similar to the automotive components and other industrial services division aiming at a better control over the production and marketing which helps to promote cost effectiveness and production efficiency. Together with the undertaking of 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 into the breakthrough stage for improving the profitability of the division.

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement and actively pursue the business potential of the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment. With the benefits of an effective cost control programmes 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 the business performance to this division.

FINANCIAL REVIEW

Statement of Profit or Loss and Other Comprehensive Income

Group's turnover for the six months ended 30 June 2014 was RMB6,473,752,000, maintained at the same level as compared to the corresponding period in last year and was in line with the performance of the commercial-type vehicles segment of the automobile industry in China during the period.

Gross profit for the period under review was RMB707,842,000, representing an increase of 9.2%. Increases in revenue and the gradual improvement in the operations of the new facilities of the automotive components as well as the foundry facilities of the engines division continued to benefit the margin performance of the Group, in spite of the adverse impact from a slowdown of business in the specialized vehicles division and a decline in the sale volume of the engines division during the period.

Gross margin of the Group further improved to 10.9% during the period as compared to 10% recorded in the corresponding period in last year. Notwithstanding, the relatively low 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 2014 was RMB71,973,000, representing a decrease of approximately 4% as compared to the corresponding period in last year. Losses and expenses incurred in the relocation of certain production facilities and a consolidation programme took place during adversely affected the profitability performance. Profits attributable to the owners of the Company was RMB32,233,000, representing a decrease of 24.9%. Apart from the above adverse factors, the decrease was also substantially attributable to the positive impact of the tax refund arising from the withholding tax rate reduction as reported in last year and the fair value adjustments of the convertible notes issued by the Company in which a loss of RMB1,282,000 was recorded for the period as compared to a gain of RMB6,072,000 recorded for the corresponding period in last year. The convertible loan notes which were issued to Wuling HK, our controlling shareholder, in January 2014 were fully exercised in May 2014 at a conversion price of HK$0.58 per ordinary share of the Company, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK. The conversion demonstrated the long term commitment of Wuling HK in the Company, whereas, the issue of these new ordinary shares also helped to further strengthen the capital base of the Company.

Other income comprised primarily sales of scrap materials and bank interest income was in aggregate RMB26,590,000 for the six months ended 30 June 2014, representing an increase of 23.7% as compared to the corresponding period in last year primarily as a result of an increase in the government subsidies during the period.

Other losses amounted to RMB27,617,000 in total for the six months ended 30 June 2014, which comprised primarily losses on disposals of certain fixed assets resulting from the relocation of the production facilities amounting to RMB9,578,000 and the impairment losses of RMB16,702,000 on the goodwill and certain fixed assets on termination of operations of a non-wholly owned subsidiary in the engines and parts division,

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB170,522,000 for the six months ended 30 June 2014, representing an increase of 10.4% as compared to the corresponding period in last year resulting from an increase of transportation costs of the specialized vehicles division.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB402,131,000 for the six months ended 30 June 2014, representing an increase of 5% as compared to the corresponding period in last year. The increase was primarily attributable to the additional research and development expenses incurred for various new projects during the period.

Research and development expenses for the six months ended 30 June 2014 amounted to RMB104,341,000, representing an increase of 19.3% as compared to the corresponding period in last year. Such increase was primarily due to launches and development projects of new products undertaken by the Group. 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 2014 amounted to RMB46,130,000, representing a decrease of 3.6% as compared to the corresponding period in last year. The amount had included the finance cost of RMB4,503,000 incurred for the convertible loan notes issued by the Company and the other interest expenses payable to Wuling HK and Liuzhou Wuling amounting to RMB17,238,000 in total. To reduce bank borrowings and to contain finance costs of the Group, Wuling HK and Liuzhou Wuling had provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market during the period. These financing arrangements resulted in lower interest rates and reduced bank loan balances of the Group had helped to ease the finance costs during the period.

Basic earnings per share for the six months ended 30 June 2014 was RMB2.58 cents, representing a decrease of 29.5% as compared to corresponding period in last year, whereas, earnings per share on fully diluted basis was also RMB2.58 cents, representing a decrease of 17.8%, in which the effect arising from the fair value adjustment on the convertible loan notes issued by the Company, which had been fully converted in May 2014, was excluded in the calculation.

Financial Position

As at 30 June 2014, total assets and total liabilities of the Group stood at RMB10,471,679,000 and RMB8,895,396,000 respectively.

Non-current assets amounted to RMB2,287,413,000 comprised mainly property, plant and equipment, prepaid lease payments and deposits paid for acquisition of non-current assets, etc. As mentioned above, for further integration of operations within the engines and parts division, during the period, Wuling Liuji decided to terminate the operation of the non-wholly owned subsidiary in Jilin. Owing to this, goodwill on acquisition of this subsidiary, amounting to RMB5,252,000 has been fully written off during the period.

Current assets amounted to RMB8,184,266,000 comprised mainly inventories of RMB902,011,000, trade and other receivables of RMB6,059,370,000, cash and bank balances (inclusive of pledged bank deposits) of RMB1,218,433,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,990,433,000 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 RMB1,218,433,000, in which RMB1,043,122,000 were pledged bank deposits to secure the banking facilities offered to the Group. Overall, the Group had cash (including pledged bank deposits) net of bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) amounting to RMB316,689,000 as at 30 June 2014.

Current liabilities amounted to RMB8,689,587,000, comprised mainly trade and other payables of RMB7,563,561,000, provision for warranty of RMB162,450,000, tax payable of RMB25,642,000 and bank borrowings — due within one year (inclusive of advances drawn on bills receivables discounted with recourse) of RMB901,744,000.

The Group recorded net current liabilities of RMB505,321,000 as at 30 June 2014, which had been increased as compared to the net current liabilities of RMB271,994,000 as at 31 December 2013.

Non-current liabilities amounted to RMB205,809,000 comprised mainly amounts due to Liuzhou Wuling of RMB169,719,000.

Liquidity and Capital Structure

The Group was operating under a net cash inflow position for the six months ended 30 June 2014.

As at 30 June 2014, total cash and bank balances maintained by the Group amounted to RMB1,218,433,000, in which RMB1,043,122,000 were pledged bank deposits to secure the banking facilities offered to the Group.

The Group's bank borrowings (inclusive of advances drawn on bills receivable discounted with recourse) increased from RMB820,850,000 as at 31 December 2013 to RMB901,744,000 as at 30 June 2014.

Overall, the Group had cash (including pledged bank deposits) net of bank borrowings amounting to RMB316,689,000 as at 30 June 2014.

To reduce bank borrowings and to contain finance costs of the Group, Wuling HK and Liuzhou Wuling had provided various sources of finance to the Group through borrowings and/or bills discounting activities at terms favourable than the market during the period. These financing arrangements resulted in lower interest rates and reduced bank loan balances of the Group had helped to ease the finance costs during the period.

On 28 January 2014, the Company issued new convertible notes with an aggregate principal amount of HK$200,000,000 equivalent to approximately RMB157,200,000 to Wuling HK for the repayment of the former convertible loan notes held by Wuling HK and the advance from Wuling HK which were both repayable in 2014. These new convertible notes, which are denominated in HKD, have a nominal interest rate of 4.25% per annum and entitle the holder to convert, in whole or in part, the principal amount into ordinary shares of the Company at the conversion price of HK$0.58 per ordinary share on any business days commencing from 28 January 2014 upto the fifth business days prior to the maturity date due on 28 January 2017. The entire convertible loan notes were converted by Wuling HK in May 2014, from which a total number of 344,827,586 new ordinary shares were issued to Wuling HK accordingly. The issue of these new ordinary shares helped to further strengthen the capital base of the Company.

At 30 June 2014, the Group had a gearing ratio of 57.2% calculated based on the Group's total bank borrowings (inclusive of advances drawn on bills receivables discounted with recourse) and the Group's net assets, which was decreased as compared to the gearing ratio as recorded at 31 December 2013.

Issued capital increased from RMB4,529,000 as at 31 December 2013 to RMB5,627,000 as at 30 June 2014. The increase was due to the conversion of the convertible loan notes as abovementioned and the exercise of share options held by certain employees during the 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 at an appropriate financing strategy for the Group.

Total shareholders' equity comprised primarily the share premium, PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB776,663,000 as at 30 June 2014. Net asset value per share was RMB51.2 cents as at 30 June 2014.

Pledge of Assets

At 30 June 2014, a property held by the Group in Hong Kong with an aggregate value of RMB3,732,000 was pledged to secure the bank loans granted to Group. Besides, bank deposits amounting to RMB1,043,122,000 were pledged to the banks mainly to secure certain banking facilities offered to the Group.

Exposure to Fluctuation in Exchange Rates

At 30 June 2014, the Group maintained foreign currency and Hong Kong dollar bank loans of an aggregate amount of RMB31,843,000, Hong Kong dollar loan from related parties and amount due to shareholder of an aggregate amount of RMB16,383,000, foreign currency and Hong Kong dollar bank deposits of an aggregate amount of RMB4,262,000, foreign currency and Hong Kong dollar trade receivables of RMB12,134,000, foreign currency and Hong Kong dollar trade payable of RMB15,326,000. 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 2014, 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 RMB321,526,000.

Contingent Liabilities

At 30 June 2014, the Group does not have any contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2014 (Period ended 30 June 2013: 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 2014 (Period ended 30 June 2013: 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 provisions set out in the Corporate Governance Code and Corporate Governance Report, as amended from time to time, contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules").

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 2014.

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 2014 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 2014 has also been reviewed by the Audit Committee.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2014, the Group had approximately 12,700 employees, including approximately 7,400 staff members and approximately 5,300 workers. Total staff costs for the six months ended 30 June 2014 were approximately RMB328,732,000, representing an increase of approximately 8.7% as compared to the corresponding period in last year. 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 2014 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.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, 26 August 2014