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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 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change
	RMB'000	*RMB'000*	*(%)*
Revenue	**6,310,419**	8,628,678	-26.9%
Gross profit	**582,983**	861,294	-32.3%
Profit for the period	**71,611**	138,553	-48.3%
Profit attributable to the owners of the Company	**46,344**	76,103	-39.1%

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 2018.

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 of the Company. The interim financial results have also been reviewed by the audit committee of the Company ("Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**6,310,419**	8,628,678
Cost of sales		**(5,727,436)**	(7,767,384)
Gross profit		**582,983**	861,294
Other income		**59,181**	51,086
Other gains and losses	*4*	**54,278**	9,621
Selling and distribution costs		**(114,333)**	(177,266)
General and administrative expenses		**(416,203)**	(420,654)
Research and development expenses		**(47,282)**	(89,542)
Share of results of joint ventures		**2,287**	(5,370)
Share of results of associates		**1,233**	–
Finance costs		**(68,258)**	(58,438)
Profit before taxation		**53,886**	170,731
Income tax credit (expense)	*5*	**17,725**	(32,178)
Profit for the period	*6*	**71,611**	138,553
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss			
Fair value loss on investment in equity instruments at fair value through other comprehensive income		**(3,400)**	–
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising from translation of foreign operations		**2,370**	(3,300)
Total comprehensive income for the period		**70,581**	135,253
Profit for the period attributable to:			
Owners of the Company		**46,344**	76,103
Non-controlling interests		**25,267**	62,450
		71,611	138,553
Total comprehensive income for the period attributable to:			
Owners of the Company		**45,314**	72,803
Non-controlling interests		**25,267**	62,450
		70,581	135,253
Earnings per share	*8*		
— Basic		**RMB2.26 cents**	RMB4.15 cents
— Diluted		**RMB1.34 cents**	RMB4.10 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**30 June 2018 *RMB'000* (Unaudited)**	31 December 2017 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**3,315,481**	3,143,847
Prepaid lease payments		**315,214**	297,550
Premium on prepaid lease payments		**810**	823
Investment properties	*9*	**10,007**	9,086
Interests in associates		**222,770**	71,537
Interests in joint ventures		**105,164**	100,660
Deposits paid for acquisition of property, plant and equipment		**356,067**	375,145
Available-for-sale investment		**–**	10,000
Equity instruments at fair value through other comprehensive income		**5,600**	–
		4,331,113	4,008,648
CURRENT ASSETS			
Inventories		**1,066,691**	1,222,876
Trade and other receivables	*10*	**5,512,398**	4,196,160
Prepaid lease payments		**7,845**	7,336
Pledged bank deposits		**855,907**	565,840
Bank balances and cash		**667,277**	1,706,780
		8,110,118	7,698,992
CURRENT LIABILITIES			
Trade and other payables	*11*	**7,459,316**	7,955,730
Contract liabilities		**132,833**	–
Provision for warranty		**129,261**	142,704
Tax payable		**48,869**	108,318
Bank borrowings	*13*	**1,056,290**	491,576
Derivative financial instrument	*12*	**15,772**	50,560
Convertible loan notes	*12*	**26,705**	23,820
Financial liability at fair value through profit or loss		**5,450**	5,303
Advances drawn on bills receivable discounted with recourse		**845,921**	277,515
		9,720,417	9,055,526
NET CURRENT LIABILITIES		**(1,610,299)**	(1,356,534)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,720,814**	2,652,114

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		**14,606**	–
Deferred income		**–**	15,339
Amount due to an associate		**80,000**	–
Convertible loan notes	*12*	**129,551**	122,857
Deferred tax liabilities		**25,461**	26,058
		249,618	164,254
		2,471,196	2,487,860
CAPITAL AND RESERVES			
Share capital	*14*	**7,366**	7,366
Reserves		**1,441,090**	1,435,316
Equity attributable to owners of the Company		**1,448,456**	1,442,682
Non-controlling interests		**1,022,740**	1,045,178
		2,471,196	2,487,860

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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.

In preparing the condensed consolidated financial statements, 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 approximately RMB1,610 million at as 30 June 2018 (31 December 2017: RMB1,357 million). 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 banking facilities for issuance of bills payables and bank borrowings, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

Accordingly, the directors of the Company believe that it is appropriate to prepare the 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of these new and amendments to HKFRSs did not have any material impact on the Group's condensed consolidated financial statements.

2.1 Summary of effects arising from initial application of HKFRS 15

Revenue from the sales of engines and related parts, automotive components and accessories and specialized vehicles are recognized based upon output delivered, which is the point of time when the customer has the ability to direct the use of the output and obtain substantially all the remaining benefits of the output.

Upon adoption of HKFRS 15, advance from customers included in trade and other payables amounting to RMB193,839,000 and deferred revenue amounting to RMB15,339,000 were reclassified to contract liabilities as at the date of initial application, 1 January 2018.

At 30 June 2018, without the application of HKFRS 15, advance from customers of RMB132,833,000 and deferred revenue of RMB14,606,000 would been reclassified from contract liabilities to trade and other payables and deferred revenue respectively since the underlying products and services are yet to be delivered.

As a result, other than reclassification of contract liabilities, the adoption of HKFRS 15 does not have material impact on the amounts reported in the condensed consolidated financial statements.

2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to expected credit losses ("ECL") under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investment *RMB'000*	**Equity instruments at fair value through other comprehensive income** *RMB'000*	**Trade and other receivable** *RMB'000*	**Investment revaluation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Non-controlling Interests** *RMB'000*
Closing balance at 31 December 2017 — HKAS 39	10,000	–	4,196,160	–	582,243	1,045,178
Effect arising from initial application of HKFRS 9:						
Reclassification from available-for-sale investment and transfer of impairment loss previously recognized	(10,000)	10,000	–	(12,000)	6,583	5,417
Remeasurement from cost less impairment to fair value	–	(1,000)	–	(1,000)	–	–
Remeasurement under ECL model	–	–	(18,885)	–	(11,501)	(7,384)
Opening balance at 1 January 2018	–	9,000	4,177,275	(13,000)	577,325	1,043,211

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organized. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- Engines and related parts — Manufacture and sale of engines and related parts
- Automotive components and other industrial services — Manufacture and sale of automotive components and accessories, trading of raw materials (mainly metals and other consumables), and provision of water and power supply services
- Specialized vehicles — Manufacture and sale of specialized vehicles
- Others — Property investment and others

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of:		
— Engines	**626,567**	1,496,011
— Engines related parts	**73,908**	212,135
— Automotive components and accessories	**3,747,327**	5,037,413
— Specialized vehicles	**1,410,809**	1,346,674
Trading of raw materials	**375,518**	444,578
Provision of water and power supply	**76,290**	91,867
	6,310,419	8,628,678
Geographical markets		
The PRC	**6,291,990**	8,628,878
Others	**18,429**	–
	6,310,419	8,628,678

All of the Group's revenue is recognized at point in time during the six months ended 30 June 2018.

The following is an analysis of the Group's revenue and results by reportable 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 2018						
REVENUE						
External sales	**700,475**	**4,199,135**	**1,410,809**	**–**	**–**	**6,310,419**
Inter-segment sales	**25,016**	**7,334**	**–**	**–**	**(32,350)**	**–**
Total	**725,491**	**4,206,469**	**1,410,809**	**–**	**(32,350)**	**6,310,419**
Segment profit	**24,195**	**23,296**	**27,736**	**49**		**75,276**
Bank interest income						**22,006**
Fair value change in derivative financial instrument						**34,177**
Central administration costs						**(20,688)**
Share of results of joint ventures						**2,287**
Share of results of associates						**1,233**
Reversal of impairment loss on interest in a joint venture						**8,000**
Fair value changes in financial liability at fair value through profit or loss						**(147)**
Finance costs						**(68,258)**
Profit before taxation						**53,886**

	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 2017						
REVENUE						
External sales	1,708,146	5,573,857	1,346,675	–	–	8,628,678
Inter-segment sales	50,213	8,885	315	–	(59,413)	–
Total	1,758,359	5,582,742	1,346,990	–	(59,413)	8,628,678
Segment profit	76,881	140,157	16,163	347		233,548
Bank interest income						21,203
Fair value change in derivative financial instrument						1,064
Central administration costs						(21,276)
Share of results of joint ventures						(5,370)
Finance costs						(58,438)
Profit before taxation						170,731

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June **2018** ***RMB'000***	2017 *RMB'000*
Impairment loss reversed in respect of trade receivables	**–**	6,579
Net exchange (loss) gain	**(6,595)**	5,733
Fair value change in derivative financial instrument	**34,177**	1,064
Fair value changes in financial liability at fair value through profit or loss	**(147)**	–
Gain on revaluation of investment properties	**773**	867
Gain (loss) on disposal of property, plant and equipment	**12,353**	(4,622)
Reversal of allowance on inventories	**5,717**	–
Reversal of impairment loss on interest in a joint venture	**8,000**	–
Other gains and losses	**54,278**	9,621

5. INCOME TAX (CREDIT) EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Tax (credit) expense represents:		
PRC Enterprise Income Tax ("EIT")		
Current period	**10,237**	29,069
Overprovision in prior years	**(29,088)**	–
Withholding tax on dividend distribution	**1,579**	1,177
Deferred tax		
Current period	**(453)**	1,932
	(17,725)	32,178

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 Group's PRC subsidiaries is 25% from 1 January 2008 onwards except that 柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited) ("Wuling Industrial") and 柳州五菱柳機動力有限公司 (Liuzhou Wuling Liuji Motors Company Limited) ("Liuji Motors") are approved as enterprises that satisfied as a High-New Technology Enterprise and entitle the preferential tax rate of 15% in 2017 and 2018.

The EIT Law also requires 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.

During the period, deferred tax of RMB1,126,000 (2017: RMB3,128,000) has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries and charge to profit or loss accordingly.

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	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**944**	1,572
Other staff costs	**384,862**	405,700
Retirement benefit scheme contributions, excluding directors	**30,005**	29,640
Total staff costs	**415,811**	436,912
Less: Staff costs (capitalized in inventories)	**(251,657)**	(241,051)
Total staff costs (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**164,154**	195,861
Property rental income	**(73)**	(80)
Cost of inventories recognized as an expense	**5,727,436**	7,767,384
Depreciation of property, plant and equipment	**137,398**	109,961
Less: Amounts capitalized in inventories	**(97,030)**	(75,126)
Total depreciation of property, plant and equipment (including in selling and distribution costs, general and administrative expenses and research and development expenses)	**40,368**	34,835
Release of prepaid lease payments (included in general and administrative expenses)	**3,916**	3,663
Release of premium on prepaid lease payments (included in general and administrative expenses)	**13**	13
Bank interest income	**(22,006)**	(21,203)

7. DIVIDEND

During the current interim period, a final dividend of HKD1.25 cents per share in respect of the year ended 31 December 2017 (2017: HKD1.25 cent per share in respect of the year ended 31 December 2016) 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 HKD25,626,000 (or equivalent to RMB21,622,000) (2017: HKD22,948,000 or equivalent to RMB19,648,000).

The directors of the Company have determined that no dividend will be paid in respect of the current interim period (2017: 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	
	2018	2017
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**46,344**	76,103
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	**18,449**	4,169
Fair value change on derivative financial instrument	**(34,177)**	–
Net exchange loss on convertible loan notes and derivative financial instrument	**1,595**	–
Earnings for the purpose of diluted earnings per share	**32,211**	80,272

	For the six months ended 30 June	
	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,050,108**	1,835,822
Effect of dilutive potential ordinary shares:		
Convertible loan notes	**357,143**	119,968
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,407,251**	1,955,790

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

Investment properties

The Group's investment properties on 30 June 2018 were fair valued by Vigers Appraisal and Consulting Limited ("Vigers"), 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 RMB4,756 to RMB6,204 and RMB2,109 to RMB2,278. 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 2018 and 31 December 2017 are categorized as level 3.

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

For the current interim period, the Group recognized a fair value gain of RMB773,000 (2017: gain of RMB867,000) attributable to its investment properties in profit or loss.

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 RMB372,756,000 (2017: RMB167,415,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB106,471,000 (2017: RMB78,034,000) for a cash proceeds of RMB119,094,000 (2017: RMB73,412,000), resulting in a gain on disposal of RMB12,353,000 (2017: loss on disposal of RMB4,622,000).

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivable are trade and bills receivables of RMB4,130,308,000 (31 December 2017: RMB3,146,185,000) and an aged analysis of trade receivables (net of allowance for doubtful debts) and bills receivables based on invoice date are presented as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
0 to 90 days	**3,205,723**	2,875,254
91 to 180 days	**875,417**	196,590
181 to 365 days	**39,796**	59,266
Over 365 days	**9,372**	15,075
	4,130,308	3,146,185

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of RMB6,487,124,000 (31 December 2017: RMB6,452,648,000) and an aged analysis of trade and bills payables based on the invoice date is presented as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
0 to 90 days	**4,618,431**	4,192,462
91 to 180 days	**1,705,659**	1,901,095
181 to 365 days	**65,794**	125,166
Over 365 days	**97,240**	233,925
	6,487,124	6,452,648

12. DERIVATIVE FINANCIAL INSTRUMENT/CONVERTIBLE LOAN NOTES

On 23 May 2017, the Company issued convertible loan notes with an aggregate principal sum of HK$400,000,000 at par (equivalent to approximately RMB353,760,000) to Wuling (Hong Kong) Holdings Limited ("Wuling HK") ("CN 2020"). Wuling HK is the immediate holding company of the Company. CN 2020 is denominated in Hong Kong dollars and carries interest at 4% per annum with maturity on 23 May 2020. CN 2020 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 22 November 2017 upto the fifth business days prior to the maturity date, at a conversion price of HK$0.70 per ordinary share, subject to anti-dilutive adjustments. Unless converted, CN 2020 will be redeemed on maturity data at par.

CN 2020 contains two components, being a liability component and a conversion option derivative component. The effective interest rate of the liability component is 22.68%. The conversion option derivative is measured at fair value with changes in fair value recognized in profit or loss.

On 29 December 2017, Wuling HK converted the CN 2020 in the aggregate principal amount of HKD150,000,000 into shares of HKD0.04 each at the conversion price of HKD0.70 per share.

The movement of the liability and derivative components of the CN 2020 during the period is set out below:

	For the six months ended 30 June 2018	
	Liability component	**Derivative component**
	RMB$'000	*RMB$'000*
Carrying amount at 23 May 2017	219,602	134,158
Effective interest expense	28,433	–
Change in fair value recognized in profit or loss during the period	–	(46,994)
Conversion during the year	(88,003)	(30,665)
Exchange gain	(13,355)	(5,939)
At 31 December 2017	146,677	50,560
Effective interest expense	18,449	–
Coupon payment	(11,076)	–
Change in fair value recognised in profit or loss during the period	–	(34,177)
Exchange loss (gain)	2,206	(611)
At 30 June 2018	**156,256**	**15,772**
Analyzed as:		
Current	**26,705**	**15,772**
Non-current	**129,551**	**–**
	156,256	**15,772**

The methods and assumptions applied for the valuation of the liability and conversion option derivative components of CN 2020 are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by BMI Appraisals Limited ("BMI"), a firm of independent professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 22.68%, which was determined with reference to the credit rating of the Company and remaining time to maturity.

(ii) Valuation of conversion option derivative component

The conversion option component was measured at fair value using the Binomial Option Pricing Model by BMI, as of 30 June 2018. The inputs into the model at the respective dates were as follows:

	As at 30 June 2018
Share price	**HK$0.45**
Conversion price	**HK$0.70**
Risk-free rate	**1.87%**
Expected life	**1.90 years**
Expected dividend yield	**2.78%**
Expected volatility	**38.08%**

13. BANK BORROWINGS

	notes	**At 30 June 2018** ***RMB'000***	At 31 December 2017 *RMB'000*
Analysis of bank borrowings:			
Secured		**195,467**	96,423
Unsecured		**860,823**	395,153
		1,056,290	491,576
Carrying amount repayable on demand or within one year	*(i)*	**1,055,614**	490,873
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)		**676**	703
Amount due within one year shown under current liabilities		**1,056,290**	491,576

Notes:

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(ii) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 30 June 2018	At 31 December 2017
Effective interest rate (per annum):		
Fixed-rate borrowing	**4.35%–4.79%**	4.35%
Variable-rate borrowings	**3.41%–4.34%**	2.13-7.25%

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 2017, 31 December 2017 and 30 June 2018		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each		
As at 1 January 2017	1,835,821,841	7,343
Conversion of convertible loan notes *(note 12)*	214,285,714	857
As at 31 December 2017 and 30 June 2018	2,050,107,555	8,200

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Shown in the condensed consolidated financial statements at the end of the reporting period as	**7,366**	7,366

MESSAGES FROM THE BOARD OF DIRECTORS

Results and Performances

We are pleased to present the unaudited results of Wuling Motors Holdings Limited (the "Company" and together with its subsidiaries the "Group" or "Wuling Motors") for the six months ended 30 June 2018.

The first half of 2018, which marked the beginning of the second decade of the Group's operation in the automobile industry following our investments into the business of manufacturing and trading of automotive components, engines and specialized vehicles of Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), was tough and full of challenges. Nevertheless, the pliable and valuable experiences amassed by the Group from both favourable and adverse conditions in the automobile industry continued to guide us forward and bestow upon our people the conscientious and hardheaded attitude in pursuing the long term business goals of the Group under a tough and challenging environment. Adhering to our operating policies of "Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable Development", Wuling Motors managed to enhance quality and efficiency, continued to adjust our enterprise structure and promoted business transformation, unremittingly identifying new business goals for strategic development without compromising the long-standing scale of operation and healthy growth. For the six months ended 30 June 2018, despite a steady growth in the specialized vehicles division, as a result of the substantial reduction in the volume of businesses of the engines and related parts division and a decrease in the revenue of the automotive components and other industrial services division, total revenue of the Group was RMB6,310,419,000, representing an overall decrease of 26.9% as compared to the corresponding period in last year.

Gross profit for the period under review was RMB582,983,000, representing a decrease of 32.3%. Apart from the overall decline in the Group's revenue, the prevailing high raw materials prices (especially steel price) during the period kept the cost of production at a high level which resulted in a decrease in the gross profit margin to 9.2% as compared to the 10.0% as recorded in corresponding period in last year. In addition, the operating losses incurred in the newly setup plant in Indonesia had also adversely affected the profitability of the Group.

The adverse impact from the decline in gross profit margin was slightly alleviated by a decrease in the selling and distribution expenses, the general and administrative expenses and the research and development expenses of the Group due to certain tightening cost control and strategic measures. Taking into account of an income tax credit amounting to RMB29,088,000 resulting from the reversal of overprovision in prior years, net profit of the Group for the first half of 2018 was RMB71,611,000, representing a decrease of 48.3% as compared to corresponding period in last year.

Profit attributable to the owners of the Company was RMB46,344,000, representing a decrease of approximately 39.1%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred, the related foreign exchange loss and the effect of changes in fair value from the convertible loan notes for the purpose of computation of the earnings per share on a fully diluted basis, was RMB32,211,000, representing a decrease of approximately 59.9% as compared to corresponding period in last year.

Opportunities and Challenges

The economic environment in China confronted with series of tough challenges arising from both internal and external during the first half of 2018. After a relatively prolonged period of swift and extensive growth in different segments in the economy, when the economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. Supported by the continuous growth in the local economy and increasing demands from the consumers, the automobile industry in China maintained its momentum of growth for the first half of 2018. Total number of motor vehicles sold in China increased moderately by 5.6% and reached 14.06 million vehicles, in which the stable pace of growth of the segment of passenger vehicles was continued, despite a contraction in the sale volume of MPVs during the period.

During the period under review, in co-operation with customers and business partners, new products were continuously developed and launched in response to the dynamic market environment. We confidently expect some of which would become the next growth drivers of revenue of the Group in the years ahead. In addition, enhancement and upgrading projects were continued in the established facilities such as the Liuzhou Hexi Industrial Facilities and the Qingdao Facilities and the newly setup facilities such as the Liudong Facilities and the Chongqing Facilities to provide the required fundamental platforms for furthering our business potential and development strategies. Completion of these enhanced facilities empowered by the essential elements of automation and intelligent manufacturing systems would necessarily ensure our competitive strength in the market for future business development and other transformation projects.

Over years of vigorous efforts of strategic planning and implementation, the Group has strategically devised a successful business blueprint where Liuzhou works as the headquarters linking southwards and northwards to Guilin, Qingdao and Chongqing as the production bases. By capitalizing on the strategic opportunities as initiated from the "Belt and Road", the Group successfully completed its first overseas production base in Indonesia in July 2017, which laid a solid foundation for the Group to tap into a broader overseas market. As we believe, our current industrial landscape will enable each member of the Group to be a more efficient actor to utilize market information exchange and resources. Production bases adjacent to major and target customers also strengthened the connection and mutual beneficial relationship between each subsidiary and customers. Cooperation and coordination among members of the Group will achieve such operational objectives that each member can contribute to our overall performance.

In line with the specific business environment and the strategy of our key customer, the Group continued to undertake certain strategic changes in our business operations recently. In particular for our engines and parts and automotive components and other industrial services divisions, our business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini-vehicles and the passenger vehicles segments. This strategic change had continued to work as the driving forces of the engines and parts and the automotive components and other industrial services divisions which would be beneficial to the profitability of the Group in future.

In view of the overall slowdown in the growth of the passenger vehicle segment following consecutive years of impressive expansion, to maintain the growth of business volume, the Group had proactively adjusted our marketing strategy in expanding our car assembly business, i.e. the specialized vehicles division. In response to the solid market demand of our products which themselves having long and established standing in their respective niche market, the Group actively promoted different types of existing and new models through various campaigns, such as North-South linkage tour and the Spring Breeze Action since the second half of 2017. The total sales volume of specialized vehicles in the first half of 2018 amounted to approximately 35,000 units, representing a year-on-year increase of approximately 20%, while sales of redecorated vehicles reached 32,500 units, representing a year-on-year increase of 31%. Mini-redecorated vehicles accounted for approximately 60% of the total market share, continued to rank 1st in the industry. Despite a decline in sales due to the market recession, non-road vehicles, such as sightseeing vehicles, mini-passenger buses, including buses and school buses, were able to maintain a stable market share for the period under review.

In line with national policies regarding environmental protection and new energy, new energy vehicles enjoy a good momentum in terms of market acceptance and sales. The Group has been allocating resources in response to national policies on environmental transportation. Over more than a decade of exploration and experience, the Group has attained key technologies in the development of new energy vehicles, including technologies involved in electric motors, vehicle control and vehicle integration, along with a number of patents for new energy vehicles registered in the PRC and the United States. Electric logistics vehicles, electric sightseeing vehicles and electric passenger vehicles developed directly or indirectly by the Group in 2016 and 2017 were successively approved by the government for production and launched into the market. The Group is actively engaged in the development and sales of new energy vehicles. A total of 450 electric vehicles, comprising electric logistics vehicles and electric sightseeing vehicles were sold in the first half of 2018. The Group also completed the modeling design for the shared electric vehicles (M100) and the indigenously-developed four-wheel low speed electric vehicles. Meanwhile, the Group initiated various projects for mainstream applications of new energy, including research on L100 electric sightseeing vehicles, smart driving products and the development of EN300P electric logistics vehicles.

The Group actively explored potential collaboration with various manufacturing powerhouses at home and abroad for its automotive component business with a view to improving its manufacturing capacity with advanced technologies imported from the international market. In July 2017, our non-wholly-owned subsidiary Wuling Industrial entered into a joint venture agreement with France-based Faurecia, a global 500 enterprise, pursuant to which, Faurecia (Liuzhou) Automotive Seating Co., Ltd was co-founded in September 2017. This collaboration extensively integrated market resources and technical capabilities of both parties to facilitate the transformation and upgrade of the Group's automotive seating products. In November 2017, Wuling Industrial and France-based Faurecia strengthened their collaboration by entering into a joint venture agreement with respect to automotive interior systems, as a result of which, their partnership further expanded to automotive interior products. With the full support from the co-operating partners, both joint venture companies have swiftly commenced operations and delivered set of solid results for the first half of 2018.

Meanwhile, to enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high-end passenger vehicles, In April 2018, Wuling Industrial further entered into a joint venture agreement with American Axle & Manufacturing, Inc. (美國車橋製造國際有限公司) with respect to the joint establishment of Liuzhou AAM Automotive Transmission System Co., Ltd.* (柳州美橋汽車傳動系統有限公司) as a platform to cooperate on and operate vertical rear axles, transmission axles and other business, furthering the technology development of vehicle axle products, which joint venture enterprise has been formally established in July 2018 and is now proceeding the necessary procedures for the commencement of operations.

The Group is confident that cooperation with leading international enterprises will enable faster improvement in processing techniques of the Group's various components. By virtue of our practical and local experience in operations and product upgrade plans of our existing customers, the Group will achieve complementary results with respect to exploring medium-end and high-end products of new customers. The management anticipates that the above joint venture will, in terms of automotive components, operate as an enterprise with leading technologies and competitive edges in southwestern China.

While the Group has been actively monitoring the changing business environment when implementing business strategies, we have never underestimated the risks associated with excessive capacities and dynamic market situations. 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 convert 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. Re-engineering of our product structure in response to the market needs in quest for continued growth of the automobile manufacturing business by pursuing steady growth in the proportion of sales of automotive parts and components for the passenger vehicles segment under the automotive components and other industrial services division and the launching of new products of our engines and parts and specialized vehicles divisions serving the needs of the market trend;

b. Constructing of a new frame of enterprise structure endowed with "Multiple Growth Drivers With Diverse Profit Streams" through an optimal positioning and scale operation of the production facilities in different geographical locations and in exploring opportunities arisen from abroad for our principal products such as engines and chassis components and the streamlining and restructuring exercises of our ancillary products such as car seat products and automotive interior parts and accessories products under our key business segments;

* *For identification purposes only*

c. Establishing of an intelligent production system to pave the way for the upcoming development of intelligent manufacturing through the adoption of innovative industrialization programmes such as “Internet +” and “Industry 4.0” and the undertaking of the automation exercises for the established facilities and the newly setup facilities;

d. Enhancing of the efficiency and effectiveness in operation and management decision making processes through implementation of the lean management system and the benchmarking exercises with the proven global manufacturing systems of the renowned key customers and business partners; and

e. Building of an effective management team and workforce through active investment in the human resources with the appropriate human resources policies.

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 income 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 Guangxi Automobile, our ultimate 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — by Key Business Segments

The business performance and evaluation of the Group's three main business segments namely (1) engines and related parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the first half of 2018 are detailed below:

Engines and Related Parts

Total revenue (based on external sales) of the engines and related parts division for the six months ended 30 June 2018 was RMB700,475,000, representing a substantial decrease of 59.0% as compared to the corresponding period in last year. Operating profit for the respective period was RMB24,195,000, representing a decrease of 68.5% as compared to the corresponding period in last year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the first half of 2018 was approximately 71,000 units, representing a substantial decrease of approximately 60.6% as compared to corresponding period in last year.

During the period, sales to SGMW, our core customer, amounted to approximately RMB460,000,000, representing a significant drop of 66.9% as compared to corresponding period in last year, which was resulted from a substantial reduction in the sale volume of the NP18 model supplied to SGMW for their Capacity 1.8L vehicle models. During the period under review, due to the shift of the marketing focus of SGMW in intensively promoting the vehicle models installed with their in-house produced 1.5T engine (Capacity 1.5L), sale volume of the NP18 model experienced a drastic decrease since the second half of 2017. Despite a gradual alleviation of the situation since the second quarter of 2018, a significant decrease in the total sale volume for the first half of 2018 was recorded as compared to the corresponding period in 2017, which resulted in a substantial decrease in the revenue of the engines and related parts division during the period.

Meanwhile, as a long standing industry leader in the manufacturing of engines for the commercial mini-vehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Sales, primarily engine sets with capacity range from 1.0L to 1.6L, to other customers amounted to approximately RMB240,000,000 for the first half of 2018, representing approximately 34.3% of the total revenue of this division.

Operating margin decreased to 3.5% as compared to the corresponding period in last year. A decrease in warranty expenses incurred and the continuous improvement of the operations of the foundry facilities and a higher gross profit margin helped to offset the negative impact from the drastic reduction in sale volume and total revenue of this division.

The production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, in which approximately 280,000 units are for the NP18 model, whereas the foundry facilities of cylinder block and cylinder head are having a capacity of 600,000 units. Wuling Liuji will continue to monitor the growth of customers' businesses volume in order to derive an optimum capacity and utilization level for its operations.

In the past, engines produced by Wuling Liuji were mainly for the commercial mini-vehicles which had been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, Wuling Liuji has actively undertaken development projects for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles segment. Apart from the successfully launched NP18 model as previously mentioned, Wuling Liuji was also undertaking projects in enhancing the NP18 model and in developing new products with greater capacity for extending the range of products in serving the specific needs of the customers of the passenger vehicles segment. In September 2017, Wuling Liuji entered into an equipment purchase agreement at a gross consideration of RMB94,000,000 (inclusive of VAT) in relation to the construction of a production-line designated and installed for the production by Wuling Liuji of a new model of automotive engine, namely the NPT20 (Capacity 2.0L), which had completed the internal technical procedure and was planned to be launched and supplied for passenger vehicles of its customers, including SGMW and other customers commencing from early 2019.

Besides, to ensure adequate supply of foundry components for the existing and the above new model engines and for further upgrading of the quality standard, in November 2017 Wuling Liuji entered into another equipment purchase agreements at a gross consideration of RMB170,000,000 (inclusive of VAT) in relation to the establishment of two production-lines which are designated for the processing production of cylinder blocks and cylinder heads, which are planned to be completed in the second half of 2018. The Group considers that completion of the above two projects and the launch of the NPT20 would further strengthen the market position of Wuling Liuji by having a comprehensive range of products ranging from 1.0L to 2.0L with the essential vertical integration elements, i.e., the in-house manufacturing of the foundry components.

To kick start the business development in the segment of new energy vehicles, in August 2018, Wuling Liuji entered into a joint venture agreement with an independent third party to pursue the business activities in the development and production of motor control system and related components for new energy vehicles. At the back of the competitive strength and knowhow of the co-operative partners in their respective automobile and motor control system industry, Wuling Liuji is confident that this co-operation will facilitate a speedy development of the Group in this great potential business segment.

Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, including the products applicable for the new energy vehicles, so as to maintain its competitiveness in this market segment. The Group believes the increasing applications of the successfully launched higher end models to the passenger vehicles of SGMW and other new customers and the introduction of other new higher end products will enhance the business potential and the technical capability of Wuling Liuji which will contribute to its profitability in the coming years.

Automotive Components and Other Industrial Services

Total revenue (based on external sales) of the automotive components and other industrial services division for the six months ended 30 June 2018 was RMB4,199,135,000, representing a decrease of 24.7% as compared to the corresponding period in last year. Operating profits for the respective period was RMB23,296,000, representing a decrease of 83.4% as compared to the corresponding period in last year.

The automotive components and other industrial services division, undertaken by our subsidiary, Wuling Industrial, continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the period, 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 increase. Strong demands for and the impressive market share achieved by the key products of SGMW such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) benefited the business performance of this division during the period. Meanwhile, the shift of the car seat products businesses and the automotive interior parts and accessories to the joint venture companies formed between Wuling Industrial and the renowned Faurecia Group, namely 佛吉亞(柳州)汽車座椅有限公司 (Faurecia Liuzhou Automotive Seating Co., Limited*) ("Faurecia Car Seat JV Company") and 佛吉亞(柳州)汽車內飾系統有限公司 (Faurecia (Liuzhou) Automotive Interior System Co., Limited*) ("Faurecia Interior JV Company"), resulted in a decrease in the respective revenue in this division.

Operating margin further declined to 0.6% as compared to the corresponding period in last year. Apart from the decrease in revenue, prevailing high raw materials prices (especially steel price) which kept the cost of production at a high level resulted in a decrease in the gross profit margin to a greater extent during the period under review. In addition, the operating losses incurred in the newly setup plant in Indonesia also adversely affected the profitability of the Group. The adverse impact from the decline in gross profit margin was slightly alleviated by a decrease in the general and administrative expenses and the research and development expenses of the Group due to certain tightening cost control and strategic measures.

With its long and established industry experiences, the automotive components and other industrial services division of the Group is particularly strong in product design and development. Its capability in supplying a wide range of products provides a one-stop shop services to the customers, whereas, the scalability of its production facilities ensures the particular needs of our key customer can be properly taken care of. Apart from its traditional well and established commercial mini-vehicles production capability, strategically, the automotive components and other industrial services division has progressed gradually to other higher value added passenger vehicles, such as the sedan, MPV and SUV segments to further the profitability performance for the Group. In term of revenue contribution, the division had since successfully achieved a higher revenue share from the passenger vehicles segment as compared to the commercial mini-vehicles segment.

* *For identification purposes only*

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group had actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, the production facility located in Hexi Industrial Park, Liuzhou which was completed in 2014, primarily for the mini-vehicles' components businesses, had been subject to various upgrading and revamping exercises, which involved the installation of industrial robotic workstations and other automatic machinery, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the SUVs and MPVs. In addition, part of the facilities was planned to be leased to the newly formed joint ventures as mentioned below.

The Group operated another production facility in the eastern district of Liuzhou ("Liudong Facilities"), which was mainly targeted at the passenger vehicles' components businesses and were strategically located in adjacent to the passenger vehicles production base of SGMW, in which the first and second phase had become fully operational since the second half of 2016. Foreseeing a significant growth of passenger vehicles' components businesses and considering that the Liudong Facilities would gradually be fully utilized, Wuling Industrial had decided to expand its Liudong Facilities by undertaking the third phase development where construction work of foundation and infrastructure had been completed in 2017 to ensure adequate production capacity could be available to serve the increasing needs from customers on a timely basis. This development site had already been designated for the construction of the first "Smart Factory" of the Group targeting for the production of the chassis components of the higher-end passenger vehicles and the related construction contract had been entered into by Wuling Industrial in September 2017, of which construction of the factory premises are expected to be completed shortly.

Apart from the production facilities in the Liuzhou region, Wuling Industrial had also recently formulated development plans for the other two main production facilities in China, i.e. the production facilities located in Qingdao and Chongqing. As for the production facilities in Qingdao, due to the launches of the new passenger vehicles by SGMW manufactured in their production base in Shandong, the production facilities located in Qingdao would be required to undertake certain technology advance and capacity expansion projects. Such projects, which would involve the construction of a new factory premises, the establishment of several large scale plastic injection production lines, as well as other automatic welding and assembly lines and the installation of industrial robots, were progressing satisfactorily, in which part of the facilities had gradually started operational from the second half of 2017. With respect to the production facilities in Chongqing which had commenced operation for over a year in supplying automotive components to SGMW, Wuling Industrial is currently reviewing the second phase development in line with the expansion plan of SGMW and would initiate appropriate plans for further expansion of this production facility in due course.

Over the past few years, the Group has taken strategic steps in China to transform from a single production point operation in Liuzhou into an inter-provincial production group with facilities in Guangxi, Shandong and Chongqing, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future. These strategic steps, accompanied with the satisfactory growth in the business volume of the SGMW and other customers over the past few years, have benefited the business performance of the Group. Apart from the improvement in business performance, these strategic steps over the past few years have also strengthened the commercial collaboration between the Group and SGMW in pursuing current businesses as well as other future business opportunities. As SGMW has been actively promoting its overseas business activities by establishing its production plant in Indonesia, the Group has kept pace with such development of SGMW and decided to develop its overseas businesses concurrently by establishing our first overseas production base located in Indonesia, which was progressing satisfactorily and had commenced operation in the second half of 2017.

The production plant in Indonesia comprised a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles, with an initial planned production volume of 100,000 sets/units per annum. Being the fourth largest population country in the world and in consideration of its recent economic development, the Group is of the view that there is great business potential for the automobile industry in Indonesia and consider that the geographical expansion of the Group's automotive components businesses in Indonesia is an appropriate expansion strategy for the Group.

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, and the implementation of the appropriate strategic programmes, will continue to provide strong supports to the operation of the automotive components and other industrial services division in the years onwards.

Specialized Vehicles

Total revenue (based on external sales) of the specialized vehicles division undertaken by Wuling Industrial for the six months ended 30 June 2018 was RMB1,410,809,000, representing an increase of 4.8% as compared to the corresponding period in last year. Operating profit for the respective period was RMB27,736,000, representing an increase of 71.6%.

During this period, Wuling Industrial sold approximately 35,000 specialized vehicles, representing an increase of 20.7% as compared to the corresponding period in last year. in which the sale volume of redecorated vans, non-road vehicles, minibuses (including school buses) were 32,500, 1,600 and 800 respectively, amongst which 450 vehicles were new energy vehicles (primarily electric vehicles). Despite the highly competitive business environment, proactive marketing strategies and continuous launches of new models benefited the business performance of the division from which the sale volume of redecorated vans increased impressively and continued to rank as the leading supplier in this market segment. Meanwhile, the Group achieved remarkable breakthroughs in the sale of the military vehicle and the electric vehicles in successfully obtaining sizable orders in this segment. Wuling's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and provided positive feedback from the market.

Operating margin increased to 2.0% for the period. High portion of low margin products, in particular the redecorated logistic vehicles, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of transportation and warranty expenses also limited the profitability performance of this division. To enhance the profitability of this division, strategically, Wuling Industrial has continued to work towards the direction of reducing 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 mini-school buses, sight-seeing cars and electric vehicles.

The specialized vehicles division operates comprehensive car assembly lines which cover the production processes of welding, painting and assembly. The division has capability to produce more than a hundred different types of specially designed vehicles which serves the particular needs of customers, such as sightseeing bus, golf cart, police car, mini fire engine, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck and electrical vehicles, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Products are mainly sold in the domestic market covering the major provinces and cities across the country and the overseas markets.

The capability of the specialized vehicles division in the car assembly industry is originated from the long standing industry experiences of Wuling. In fact, the models designed and developed by the Group are mainly branded as "Wuling", which is itself a benchmark of quality products and services in the market. Wuling Industrial is also a qualified enterprise which possesses the capability for manufacturing new energy electric logistic vehicles in China. In line with the national policies relating to environment protection and the promotion of clean energy, the division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Being the primary focus of development of the division, electrical vehicle product has recently reached a stage of breakthrough. Certain products, including an electric logistic vehicle, electric sight-seeing buses and other electric vehicles have obtained notifications of government approval in 2016 and 2017. Wuling Industrial planned to adopt the technical knowhow as developed from these electric vehicles products as the platform to explore and develop a series of electric specialized vehicles suitable for particular business segments.

Meanwhile, the Group had also unremittingly developed new models of passenger mini-buses with improved quality and added features in response to market demands and enhanced regulatory standards. The Group expects the business development of these new models will benefit the profitability performance of the division. Currently, production facilities of the specialized vehicles division of the Group are situated in Liuzhou and Qingdao with respective annual capacities of approximately 60,000 vehicles and 30,000 vehicles. Taking the advantages of having an existing operation in Chongqing, the Group has recently decided to establish a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 15,000 vehicles, which will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness.

Besides our proactive marketing strategies and continuous launches of new models, our focus on delivery of a high standard of customer services with prompt responsiveness to customers' feedbacks are also important in further promoting our business potential in the specialized vehicles segment. The extensive operations of our current 415 service stations situated in over 19 geographic service areas keep us abreast of market trend and development in the industry for deriving the suitable business strategy for the specialized vehicles division. The impressive growth in the business volume since the second half of 2017 essentially demonstrated the positive impact from these multi-dimensional strategy, which enable the Group to head towards the essential breakthrough platform in this segment. The Group would strive to maintain a prominent market share, and at the same time, explore the opportunity for future growth potential to further improving the profitability of the specialized vehicles segment, through implementation of active business strategies in promoting our products to the regions where Group's products are still having a lower penetration rate.

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on 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.

Performance of Joint Ventures

Liuzhou Lingte Motor Technology Company Limited ("Liuzhou Lingte"), which is owned as to 51% by Wuling Liuji and formed with IAT Automobile Technology Co., Ltd., in November 2013 for purpose of developing the businesses of our owned proprietary V6 cylinder engine products, continued to making progress as planned during the period. Following the successful completion of the research and development of the 3.0L Advanced Model, Liuzhou Lingte had commenced the construction of the infrastructure and the main assembly line for initial production purpose in 2016. During the year ended 31 December 2017, small volume orders had been undertaken for trial run purpose. Upon satisfactory results from the trial run orders, Wuling Liuji and Liuzhou Lingte would work together to formulate appropriate marketing plan for launching the product to targeted customers. The successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry. Due to its initial operation, Liuzhou Lingte operated at a net loss for the six months ended 30 June 2018, in which RMB964,000 was attributable to the Group. As at 30 June 2018, the carrying value of the Group's interests in Liuzhou Lingte amounted to RMB79,990,000.

Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang"), which is owned as to 50% by Wuling Industrial and formed with Guangxi Liugong Machinery Company Limited in August 2013 for developing the businesses of engineering machinery and other industrial vehicles products, had been facing tough business environment since its establishment and continued to register losses for the past few years. The business environment was hence improved in the second half of 2017 in which the net operating profits were achieved during the period. Due to the continuous recovery of businesses, the business performance of Guangxi Weixiang continued to improve during the six months ended 30 June 2018, from which a net operating profits of RMB6,815,000 was achieved for the period, in which RMB3,408,000 was attributable to the Group. In view of the continuous improvement in profitability, a reversal of impairment amounting to RMB8,000,000 was recorded for the six months ended 30 June 2018 and, as at 30 June 2018, the carrying value of the Group's interests in Guangxi Weixiang amounted to RMB16,597,000.

佛吉亞(柳州)汽車座椅有限公司 (Faurecia Liuzhou Automotive Seating Co., Limited*) ("Faurecia Car Seat JV Company") which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established on 26 September 2017 for pursuing the business of car seat products in the PRC has commenced operation in January 2018. Wuling Industrial considers the recent development of SGMW in expanding the production of passenger vehicles would provide business opportunities in the car seat products, and therefore looks for suitable business partner for enhancing and upgrading its production knowhow in this area. The co-operation with Faurecia Group, being a global leading manufacturer in the business of automotive parts and components will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat businesses for the existing customers as well as other new customers. In accordance with the joint venture agreement, Wuling Industrial and Faurecia Group will each contribute cash in the amount of RMB75,000,000 to Faurecia Car Seat JV Company. The initial operation of Faurecia Car Seat JV Company is primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of car seat products located in Liuzhou and Qingdao, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou and Qingdao. During the six months ended 30 June 2018, Faurecia Car Seat JV Company achieved a net operating profits of RMB4,899,000, in which RMB2,449,000 was attributable to the Group. As at 30 June 2018, the carrying value of the Group's interests in Faurecia Car Seat JV Company amounted to RMB73,986,000.

佛吉亞(柳州)汽車內飾系統有限公司 (Faurecia (Liuzhou) Automotive Interior System Co., Limited*) ("Faurecia Interior JV Company") which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established on 5 February 2018 for pursuing the business of automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim in the PRC has commenced operation in April 2018. Wuling Industrial considers the co-operation with Faurecia Group will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in these types of products from SGMW as well as other new customers. In accordance with the joint venture agreement, Wuling Industrial and Faurecia Group will each contribute cash in the amount of RMB150,000,000 to Faurecia Interior JV Company within five years. The initial operation of Faurecia Interior JV Company is primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which

* *For identification purposes only*

were used for the production of automotive interior products located in Liuzhou and Qingdao, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou and Qingdao. During the six months ended 30 June 2018, Faurecia Interior JV Company achieved a net operating losses of RMB2,432,000, in which RMB1,216,000 was attributable to the Group. As at 30 June 2018, the carrying value of the Group's interests in Faurecia Interior JV Company amounted to RMB148,784,000.

In April 2018, Wuling Industrial further entered into a joint venture agreement with American Axle & Manufacturing, Inc. (美國車橋製造國際有限公司) ("AAM") with respect to the joint establishment of Liuzhou AAM Automotive Transmission System Co., Ltd.* (柳州美橋汽車傳動系統有限公司) ("Car Axle JV Company"), which shall be owned as to 50% by Wuling Industrial and 50% by AAM International pursuant to the joint venture agreement, for the purpose of engaging in the development, manufacture and sales of driveline products business. Wuling Industrial considers the co-operation with AAM will enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high-end passenger vehicles, from which the joint venture company could serve as a platform to cooperate on and operate vertical rear axles, transmission axles and other business, furthering the technology development of vehicle axle products. In accordance with the joint venture agreement, Wuling Industrial and AAM will each contribute cash in the amount of RMB69 million to Car Axle JV Company. Car Axle JV Company has been formally established in July 2018. Wuling Industrial and AAM are now proceeding the necessary procedures for the commencement of operation of Car Axle JV Company.

Financial Review

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group's total revenue for the six months ended 30 June 2018 was RMB6,310,419,000, representing a decrease of 26.9% as compared to the corresponding period in last year. The decrease was mainly attributable to a substantial reduction in the volume of businesses of the engines and related parts division. As mentioned in the 2017 annual report of the Company, owing to the shift of the marketing focus of the major customer in intensively promoting the vehicle models installed with their in-house produced 1.5T engine (Capacity 1.5L), purchase volume of our Group supplied NP18 model experienced a drastic decrease since the second half of 2017. Despite a gradual alleviation of the situation since the second quarter of 2018, a significant decrease in the total sale volume for the first half of 2018 was recorded as compared to the corresponding period in 2017, which resulted in a substantial decrease in the revenue of the engines and related parts division during the period. Meanwhile, revenue from the automotive components and other industrial services division also registered a decrease, whereas, revenue from the specialized vehicles division continued to grow steadily.

* *For identification purposes only*

Gross profit for the period under review was RMB582,983,000, representing a decrease of 32.3%. Apart from the overall decline in the Group's revenue, the prevailing high raw materials prices (especially steel price) during the period had kept the cost of production at a high level which resulted in a decrease in the gross profit margin to 9.2% as compared to the 10% as recorded in corresponding period in last year. In addition, the operating losses incurred in the newly setup plant in Indonesia also adversely affected the profitability of the Group.

The adverse impact from the decline in gross profit margin was slightly alleviated by a decrease in the selling and distribution expenses, the general and administrative expenses and the research and development expenses of the Group due to certain tightening cost control measures. Taking into account of an income tax credit amounting to RMB29,088,000 resulting from the reversal of overprovision in prior years, net profit of the Group for the first half of 2018 was RMB71,611,000, representing a decrease of 48.3% as compared to corresponding period in last year.

Profit attributable to the owners of the Company was RMB46,344,000, representing a decrease of approximately 39.1%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred, the related foreign exchange loss and the effect of changes in fair value from the convertible loan notes for the purpose of computation of the earnings per share on a fully diluted basis, was RMB32,211,000, representing a decrease of approximately 59.9% as compared to corresponding period in last year.

Other income comprised primarily bank interest income, sales of scrap materials and parts, government subsidies and other services income was in aggregate RMB59,181,000 for the six months ended 30 June 2018, representing an increase of 15.8% as compared to the corresponding period in last year due to increases of sales of scrap materials and other services income.

Other gains and losses amounted to a net gain of RMB54,278,000 for the six months ended 30 June 2018, which comprised primarily net gain on disposals of certain property, plant and machinery amounting to RMB12,353,000, the reversal of impairment amounting to RMB8,000,000 on investments in joint venture, Guangxi Weixiang, the effect of changes in fair value on the convertible loan notes amounting to RMB34,177,000 and the exchange losses on the foreign currency position of the Group amounting to RMB6,595,000 which were arisen primarily from the convertible loan notes, certain bank borrowings and the operation in Indonesia.

Share of results of joint ventures registered a total net profits of RMB2,287,000 for the six months ended 30 June 2018 primarily attributable to the net operating profits of Guangxi Weixiang had been gradually recovered since the second half of 2017, whereas Liuzhou Lingte continued to incur net operating losses in its initial stage of operation.

Share of result of associates represented the net operating profits attributable to the two joint ventures formed with the Faurecia Group, namely Faurecia Car Seat JV Company and Faurecia Interior JV Company. These two joint venture companies were able to register a good start by delivering sets of solid operating results due to the smooth transfer of facilities and manpower for kick starting their operations.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB114,333,000 for the six months ended 30 June 2018, representing a decrease of 35.5% as compared to the corresponding period in last year which was in line with the decrease in revenue resulting in a substantial decrease in transportation costs.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB416,203,000 for the six months ended 30 June 2018, representing a slight decrease of 1.1% as compared to the corresponding period in last year. Facing the tough and highly competitive business environment, the Group had implemented various cost control measures in containing the general and administrative expenses and the research and development expenses of the Group aiming at alleviating the adverse impact from a tightening gross profit margin and promoting competitiveness and efficiency.

Research and development expenses for the six months ended 30 June 2018 amounted to RMB47,282,000, representing a decrease of 47.2% as compared to the corresponding period in last year. The strategic move of expanding and pursuing future business activities through the formation of joint ventures with prominent businesses helped to reduce the significant research and development expenses of the Group. Nevertheless, 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 2018 amounted to RMB68,258,000, representing an increase of 16.8% as compared to the corresponding period in last year due to an increase in the finance cost of RMB18,449,000 incurred for the convertible loan notes issued by the Company, calculated on the effective interest rates method.

Basic earnings per share for the six months ended 30 June 2018 was RMB2.26 cents, representing a decrease of approximately 45.5% as compared to the corresponding period in last year. The decrease was partly attributable to the increase in the number of issued shares subsequent to the conversion of the convertible loan notes of the Company in December 2017. Earnings per share on fully diluted basis, in which the adjustments in relation to the potential issue of additional shares of the Company on conversion of the outstanding convertible loan notes had been accounted for, was RMB1.34 cents, representing a decrease of approximately 67.3%.

Condensed Consolidated Statement of Financial Position

As at 30 June 2018, total assets and total liabilities of the Group stood at RMB12,441,231,000 and RMB9,970,035,000 respectively.

Non-current assets amounted to RMB4,331,113,000 comprised mainly property, plant and equipment, prepaid lease payments, deposits paid for acquisition of property, plant and equipment, interests in joint ventures and associates, etc.

Current assets amounted to RMB8,110,118,000 comprised mainly inventories of RMB1,066,691,000, trade and other receivables and bill receivables of RMB5,512,398,000 (inclusive of bills receivables discounted with recourse but not yet matured amounting to RMB856,553,000), pledged bank deposits of RMB855,907,000 and bank balances and cash of RMB667,277,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB2,898,819,000 was recorded as trade and other receivables in the condensed consolidated statement of financial position. These receivables balances were subject to normal commercial settlement terms.

Current liabilities amounted to RMB9,720,417,000, comprised mainly trade and other payables of RMB7,459,316,000, provision for warranty of RMB129,261,000, tax payable of RMB48,869,000, contract liabilities of RMB132,833,000 derivative financial instrument in relation to the convertible loan notes issued by the Company of RMB15,772,000, current portion of the convertible loan notes of RMB26,705,000, bank borrowings — due within one year of RMB1,056,290,000 and advances drawn on bills receivables discounted with recourse of RMB845,921,000. The corresponding bills receivables discounted with recourse to these advances amounting to RMB856,553,000 were recorded as trade and other receivables which would be offset against upon maturity.

The Group recorded net current liabilities of RMB1,610,299,000 as at 30 June 2018, which had been increased as compared to the net current liabilities of RMB1,356,534,000 as at 31 December 2017.

Non-current liabilities amounted to RMB249,618,000 comprised mainly convertible loan notes of RMB129,551,000, contract liabilities (which was previously recorded as deferred income) of RMB14,606,000, deferred tax liability of RMB25,461,000 and amount due to an associate of RMB80,000,000.

Liquidity and Capital Structure

During the six months ended 30 June 2018, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the drawdown of bank borrowings and the bill receivables discounted.

The Group considers the application of alternative means of financing, i.e. bank borrowings and bill discounting activities in terms of the respective finance cost consideration. Besides, to contain finance costs of the Group, Guangxi Automobile provided sources of finance to the Group through bill discounting activities at the most favourable terms offered in the market.

As at 30 June 2018, total bank balances and cash maintained by the Group amounted to RMB667,277,000. Besides, pledged bank deposits amounting to RMB855,907,000 were also maintained to secure the banking facilities offered to the Group.

The Group's bank borrowings (other than advances drawn on bill receivables discounted with recourse) amounted to RMB1,056,290,000 as at 30 June 2018, which were increased substantially since last year to serve as an alternative source of finance due to an increase in the interest rates charged on the bill receivables discount activities during the period, which included a lower interest rate foreign currency one year term loan amounting to US$55,000,000. The Group had entered into appropriate forward contract to hedge against the currency risk of this foreign currency bank loan. Meanwhile the outstanding advances drawn on bill receivables discounted with resource as at 30 June 2018 were RMB845,921,000 which were increased during the period. The corresponding bill receivables discounted with recourse to these advances amounting to RMB856,553,000 were recorded as trade and other receivables which would be off set against upon maturity. 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.

Apart from the bank borrowings and the advances drawn on bill receivables discounted with recourse on 23 May 2017, the Company raised certain longer term financing through the issue convertible loan notes of a principal amount of HKD400,000,000 to Wuling HK, our controlling shareholder, as approved by the independent shareholders of the Company at a special general meeting held on 16 December 2016. The convertible loan notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 Shares at an initial conversion price of HKD0.70 per share on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020). Among which, the convertible loan notes of a principal amount of HKD150,000,000 were converted by Wuling HK into a total number of 214,285,714 Shares on 29 December 2017. As a result of the conversion, the percentage of shareholding of Wuling HK in the Company was increased from 56.04% to 60.64%.

Subsequent to the above conversion, the aggregate principal amount of convertible loan notes remained outstanding was HKD250,000,000, which would be eligible to be converted into a total number of 357,142,857 Shares according to the abovementioned terms and conditions. In view of the current financial and liquidity position of the Group as at 30 June 2018, the Board considers the Group has adequate financial resources in meeting the redemption obligations of the outstanding convertible loan notes which have an expiry date on 23 May 2020.

Assuming full conversion of the outstanding convertible loan notes which are currently held by Wuling HK, the controlling shareholder of the Company, the number of issued shares of the Company would be increased by approximately 17.42% from 2,050,107,555 Shares to 2,407,250,412 Shares, from which the percentage shareholding of the controlling shareholder, Wuling HK, would be increased from 60.64% to 66.48%, whereas, the percentage of shareholding of the second largest shareholder of the Company, Dragon Hill Development Limited would be decreased from 13.74% to 11.70%. However, there are restrictions on the convertible loan notes such that no conversion would be made if it will cause the Company to be in breach of the public float requirement under the Listing Rules.

In addition, having considered the closing market price of the Share as at 30 June 2018 which was traded below the conversion price of the convertible loan notes and the abovementioned restriction such that no material conversion could be made as at 30 June 2018, the Board considers there would not be any significant impact on the market price of the Shares upon the entire and/or partial conversion of the outstanding convertible loan notes of the Company.

Total equity attributable to the shareholders of the Company, comprised primarily the share premium, PRC general reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB1,448,456,000 as at 30 June 2018. Net asset value per share was approximately RMB70.7 cents as at 30 June 2018.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2018 (Period ended 30 June 2017: 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 2018 (Period ended 30 June 2017: Nil).

CORPORATE GOVERNANCE

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. During the period ended 30 June 2018, the Company confirmed that it has fully complied with all the code provisions on Corporate Governance Practices Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange which sets out the principles of good corporate governance and the code provisions.

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 2018.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive directors, namely Mr. Ye Xiang (the Chairman), Mr. Wang Yuben and Mr. Mi Jianguo, has been established in accordance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing, inter alia, supervision over the Group's financial reporting, internal controls and risk management systems. The terms of reference of the Audit Committee are currently disclosed on the websites of the Company (www.wuling.com.hk) and the Stock Exchange (www.hkexnews.hk).

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 of the Group for the six months ended 30 June 2018 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 unaudited interim financial information of the Group for the six months ended 30 June 2018 has also been reviewed by the Audit Committee.

INTERIM REPORT

The interim report for the six months ended 30 June 2018 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 the Stock Exchange 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. Yuan Zhijun (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Zhong Xianhua, Ms. Liu Yaling and Mr. Yang Jianyong as executive directors and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive directors.

On behalf of the Board of
Wuling Motors Holdings Limited
Yuan Zhijun
Chairman

Hong Kong, 31 August 2018