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 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	*(%)*
Revenue	**6,145,841**	6,310,419	-2.6%
Gross profit	**522,280**	582,983	-10.4%
Profit for the period	**12,450**	71,611	-82.6%
(Loss) profit attributable to the owners of the Company	**(3,043)**	46,344	-106.6%

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 2019.

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 2019

	NOTES	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3		
Goods and services		**6,141,102**	6,310,346
Rental		**4,739**	73
Total revenue		**6,145,841**	6,310,419
Cost of sales and services		**(5,623,561)**	(5,727,436)
Gross profit		**522,280**	582,983
Other income		**57,465**	59,181
Other gains and losses	4	**(7,639)**	54,278
Selling and distribution costs		**(64,961)**	(114,333)
General and administrative expenses		**(400,031)**	(416,203)
Research and development expenses		**(30,704)**	(47,282)
Share of results of associates		**(6,976)**	1,233
Share of results of joint ventures		**194**	2,287
Finance costs		**(58,190)**	(68,258)
Profit before taxation		**11,438**	53,886
Income tax credit	5	**1,012**	17,725
Profit for the period	6	**12,450**	71,611
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**–**	(3,400)
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties, net of tax		**12,574**	–
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		**(5,570)**	2,370
Fair value gain (loss) on bills receivables at fair value through other comprehensive income		**17,681**	(45,797)
Other comprehensive income (expense) for the period		**24,685**	(46,827)
Total comprehensive income for the period		**37,135**	24,784

	NOTES	Six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(3,043)**	46,344
Non-controlling interests		**15,493**	25,267
		12,450	71,611
Total comprehensive income for the period attributable to:			
Owners of the Company		**9,813**	17,424
Non-controlling interests		**27,322**	7,360
		37,135	24,784
(Loss) earnings per share	*8*		
— Basic		**RMB(0.15) cent**	RMB2.26 cents
— Diluted		**RMB(0.15) cent**	RMB1.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,348,950**	3,590,089
Right-of-use assets		**393,387**	–
Prepaid lease payments		**–**	332,652
Premium on prepaid lease payments		**–**	798
Investment properties	9	**282,481**	10,277
Interests in associates		**260,463**	237,439
Interests in joint ventures		**121,438**	126,026
Deposits paid for acquisition of property, plant and equipment		**337,262**	248,798
Equity instrument at fair value through other comprehensive income		**2,048**	2,048
		4,746,029	4,548,127
CURRENT ASSETS			
Inventories		**1,148,544**	943,230
Trade and other receivables	10	**2,977,726**	3,567,957
Bills receivables at fair value through other comprehensive income		**1,712,748**	2,070,542
Prepaid lease payments		**–**	7,840
Pledged bank deposits		**856,163**	1,014,768
Bank balances and cash		**611,342**	974,697
		7,306,523	8,579,034
CURRENT LIABILITIES			
Trade and other payables	11	**6,822,086**	8,082,910
Contract liabilities		**219,717**	222,082
Lease liabilities		**59,077**	–
Provision for warranty		**83,820**	119,290
Tax payable		**92,464**	52,701
Bank borrowings	12	**783,184**	491,779
Advances drawn on bills receivable discounted with recourse		**955,042**	1,142,306
Derivative financial instrument		**3,196**	1,224
Convertible loan notes		**189,793**	8,784
Financial liability at fair value through profit or loss		**2,124**	1,475
		9,210,503	10,122,551
NET CURRENT LIABILITIES		**(1,903,980)**	(1,543,517)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,842,049**	3,004,610

	NOTE	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		**13,139**	13,872
Lease liabilities		**62,900**	–
Amount due to an associate		**50,000**	50,000
Bank borrowings	*12*	**202,000**	268,000
Convertible loan notes		**–**	170,721
Deferred tax liabilities		**24,035**	23,168
		352,074	525,761
		2,489,975	2,478,849
CAPITAL AND RESERVES			
Share capital		**7,366**	7,366
Reserves		**1,437,081**	1,436,273
Equity attributable to owners of the Company		**1,444,447**	1,443,639
Non-controlling interests		**1,045,528**	1,035,210
		2,489,975	2,478,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 (the "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 "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and adoption of new accounting policy for the transfer of the owner-occupied property to investment property carried at fair value, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 and new interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRS and new interpretation in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

The Group applied HKFRS 16 from 1 January 2019. The Group applied the modified retrospective approach and has not restated comparative amounts with the cumulative effect recognized at the date of initial application. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16.C8(b)(ii) transition, adjusted by the amount of any prepaid or accrued lease liabilities.

At 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are initially measured at cost and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities; whereas the lease liability is initially measured at the present value of the lease payments that are unpaid at that date, and subsequently adjusted for the interest and lease payments, as well as the impact of lease modification, amongst others.

On transition, other than the reclassification of the current and non-current portion of prepaid lease payments of RMB7,840,000 and RMB332,652,000 and premium on prepaid lease payments of RMB798,000, the Group recognized lease liabilities of RMB5,072,000 and right-of-use assets of RMB346,362,000 at 1 January 2019.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Type of goods and services			
— Sales of engines	*(a)*	**608,281**	626,567
— Sales of engines related parts	*(a)*	**186,451**	73,908
— Sales of automotive components and accessories	*(b)*	**2,662,231**	3,747,254
— Sales of specialized vehicles	*(c)*	**2,330,225**	1,410,809
Trading of steels	*(b)*	**263,912**	375,518
Provision of water and power supply	*(b)*	**90,002**	76,290
Revenue from contracts with customers		**6,141,102**	6,310,346
Revenue from gross rental income		**4,739**	73
		6,145,841	6,310,419
Timing of revenue recognition			
At point in time		**6,051,100**	6,234,056
Over time		**90,002**	76,290
Total		**6,141,102**	6,310,346

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Geographical markets			
The PRC (excluding Hong Kong)		**6,114,742**	6,291,917
Others		**26,360**	18,429
		6,141,102	6,310,346

Notes:

(a) These revenue has been classified as revenue under engines and related parts segment in the segment information.

(b) These revenue has been classified as revenue under automotive components and other industrial services segment in the segment information.

(c) These revenue has been classified as revenue under specialized vehicles segment in the 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. 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 steels and provision of water and power supply services
- Specialized vehicles — Manufacture and sale of specialized vehicles
- Others — Property investment and others

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 2019 (unaudited)						
REVENUE						
External sales	**794,732**	**3,016,145**	**2,330,225**	**4,739**	**–**	**6,145,841**
Inter-segment sales	**6,136**	**3,242**	**–**	**–**	**(9,378)**	**–**
Total	**800,868**	**3,019,387**	**2,330,225**	**4,739**	**(9,378)**	**6,145,841**
Segment profit	**20,732**	**26,712**	**29,278**	**2,923**		**79,645**
Bank interest income						**16,612**
Change in fair value of derivative financial instrument						**(1,938)**
Change in fair value of financial liability at fair value through profit or loss						**(2,634)**
Central administrative costs						**(15,275)**
Share of results of associates						**(6,976)**
Share of results of joint ventures						**194**
Finance costs						**(58,190)**
Profit before taxation						**11,438**

	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 (unaudited)						
REVENUE						
External sales	700,475	4,199,062	1,410,809	73	–	6,310,419
Inter-segment sales	25,016	7,334	–	–	(32,350)	–
Total	725,491	4,206,396	1,410,809	73	(32,350)	6,310,419
Segment profit	24,195	23,296	27,736	49		75,276
Bank interest income						22,006
Change in fair value of derivative financial instrument						34,177
Change in fair value of financial liability at fair value through profit or loss						(147)
Reversal of impairment loss on interest in a joint venture						8,000
Central administrative costs						(20,688)
Share of results of associates						1,233
Share of results of joint ventures						2,287
Finance costs						(68,258)
Profit before taxation						53,886

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Increase in fair value of investment properties	**–**	773
Fair value change in financial liability at fair value through profit or loss	**(2,634)**	(147)
Fair value change of derivative financial instrument	**(1,938)**	34,177
Net exchange gain (loss)	**2,462**	(6,595)
(Loss) gain on disposal of property, plant and equipment	**(5,529)**	12,353
Reversal of impairment loss on interest in a joint venture	**–**	8,000
Reversal of allowance on inventories	**–**	5,717
Other gains and losses	**(7,639)**	54,278

5. INCOME TAX CREDIT

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Tax charge (credit) represents:		
PRC Enterprise Income Tax ("EIT")		
Current	**5,252**	10,237
Withholding tax on dividend distribution	**1,967**	1,579
Overprovision in prior years	**(6,879)**	(29,088)
	340	(17,272)
Deferred tax		
Current period	**(1,352)**	(453)
	(1,012)	(17,725)

6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Directors' emoluments	**973**	944
Other staff costs	**416,818**	384,862
Contribution to retirement benefit schemes, excluding directors	**30,183**	30,005
Total staff costs	**447,974**	415,811
Less: Staff costs (capitalized in inventories)	**(209,525)**	(183,600)
Total staff costs (included in selling and distribution costs, general and administrative expenses and research and development expenses)	**238,449**	232,211
Gross property rental income from investment properties, net of negligible outgoings	**(4,739)**	(73)
Cost of inventories recognized as expenses	**5,623,561**	5,727,436
Depreciation of property, plant and equipment	**155,452**	137,398
Depreciation of right-of-use assets	**27,729**	–
Total depreciation	**183,181**	137,398
Less: Amounts capitalized in inventories	**(120,831)**	(97,030)
Total depreciation of property, plant and equipment, right-of-use assets (including in selling and distribution costs, general and administrative expenses and research and development expenses)	**62,350**	40,368
Release of prepaid lease payments (included in general and administrative expenses)	**–**	3,916
Release of premium on prepaid lease payments (included in general and administrative expenses)	**–**	13
Bank interest income	**(16,612)**	(22,006)

7. DIVIDEND

During the current interim period, a final dividend of HK0.5 cent per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: HK1.25 cents per share in respect of the year ended 31 December 2017) was declared to the owners of the Company. The aggregate amount of the final dividend declared during the current interim period amounted to HKD10,251,000 (or equivalent to RMB9,005,000) (six months ended 30 June 2018: HKD25,626,000 or equivalent to RMB21,622,000) and has been paid on 31 July 2019.

The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2018: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	**(3,043)**	46,344
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes		18,449
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

	For the six months ended 30 June	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,050,108**	2,050,108
Effect of dilutive potential ordinary shares:		
Convertible loan notes		357,143
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share		2,407,251

The computation of diluted loss per share for this six months ended 30 June 2019 does not assume the conversion of the Company's outstanding convertible loan notes since their assumed exercise would result in a decrease in loss per share.

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

Investment properties

During the current interim period, certain property, plant and equipment and right-of-use assets have been transferred to investment properties because their use have changed as evidenced by end of owner-occupation, a difference between the carrying amount of RMB257,407,000 (included RMB71,119,000 presented under right-of-use assets upon the application of HKFRS 16) and the fair value of RMB272,200,000 at the date of transfer of RMB14,793,000, less tax impact of RMB2,219,000 (six months ended 30 June 2018: nil) is recognized in other comprehensive income and accumulated in property revaluation reserve.

Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to RMB343,502,000 (six months ended 30 June 2018: RMB372,756,000). In addition, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB83,668,000 (six months ended 30 June 2018: RMB106,471,000) for a cash proceeds of RMB78,139,000 (six months ended 30 June 2018: RMB119,094,000), resulting in a loss on disposal of RMB5,529,000 (six months ended 30 June 2018: gain on disposal of RMB12,353,000).

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivable are trade receivables of RMB2,278,154,000 (31 December 2018: RMB3,053,976,000) and an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date is as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
0 to 90 days	**2,036,229**	2,981,408
91 to 180 days	**194,043**	26,813
181 to 365 days	**41,476**	19,920
Over 365 days	**6,406**	25,835
	2,278,154	3,053,976

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB3,647,650,000 (31 December 2018: RMB3,723,787,000) and bills payables of RMB2,237,814,000 (31 December 2018: RMB3,133,399,000) respectively and an aged analysis of trade payables and bills payables based on the invoice date is presented as follows:

Trade payables

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**1,694,156**	3,449,761
91 to 180 days	**1,082,148**	122,893
181 to 365 days	**614,695**	41,533
Over 365 days	**256,651**	109,600
	3,647,650	3,723,787

Bills payables

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**1,226,602**	1,709,013
91 to 180 days	**1,011,292**	1,424,386
	2,237,894	3,133,399

12. BANK BORROWINGS

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Analysis of bank borrowings:			
Secured		**349,643**	400,742
Unsecured		**635,541**	359,037
		985,184	759,779
The carrying amounts of the above borrowings are repayable:	*(i)*		
— Within one year		**767,541**	132,000
— Within a period of more than one year but not exceeding two years		**132,000**	132,000
— Within a period of more than two years but not exceeding five years		**70,000**	136,000
		969,541	400,000
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable:	*(i)*		
— Within one year		**15,017**	359,111
— Within a period of more than one year but not exceeding two years		**80**	90
— Within a period of more than two years but not exceeding five years		**259**	290
— Within a period of more than five years		**287**	288
		15,643	359,779
Less: Amounts due within one year shown under current liabilities		**(783,184)**	(491,779)
Amounts shown under non-current liabilities		**202,000**	268,000
Advances drawn on bills receivables discounted with recourse	*(ii)*	**955,042**	1,142,306

Notes:

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

(ii) The amounts represents the Group's other borrowings secured by bills receivables discounted to banks with recourse.

(iii) 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 2019	At 31 December 2018
Effective interest rate (per annum):		
Fixed-rate borrowing	**4.75%**	4.35%
Variable-rate borrowings	**3.00%–3.96%**	2.14%–4.22%

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 2019.

The first half of 2019 was tough and full of challenges. The tough environment caused by the increasing complexity of the world economy, a declining growth rate of the domestic market and a significant slowdown of the demand in our industry, gave rise to a general pessimistic sentiment in the market had adversely affected the business performance of the Group during the period. 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 this unconventional tough and challenging environment.

Adhering to our operating policies of "Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable", we have been dedicated to taking our management measures to the next level aiming at making breakthroughs in development, and continuously promoting our core businesses of engines and related parts, automotive components and specialized vehicles to their respective business frontiers of each segment. For the six months ended 30 June 2019, despite a continuous growth in the specialized vehicles division, as a result of the substantial reduction in the volume of businesses of the automotive components and other industrial services division, total revenue of the Group was RMB6,145,841,000, representing a moderate decrease of 2.6% as compared to the corresponding period in last year.

Gross profit for the period under review was RMB522,280,000, representing a decrease of 10.4%. The decline in the Group's revenue in the automotive components and other industrial services division and the prevailing high raw materials prices during the period kept the cost of production at a high level and resulted in a decrease in the gross profit margin to 8.5% as compared to the 9.2% as recorded in corresponding period in last year. Meanwhile, the operating losses incurred in the production plant in Indonesia had been gradually reduced during the period.

The adverse impact from the decline in gross profit margin was to certain extent 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. However, in the absence of the positive impact from the income tax credit resulting from the reversal of overprovision in prior years and the gain on fair value change of the derivative financial instruments of the convertible loan notes as recorded in corresponding period in last year, net profit of the Group for the first half of 2019 was RMB12,450,000, representing a significant decrease of 82.6% as compared to the corresponding period in last year.

Due to the bearing of the related effective interest expenses incurred by the Company for the convertible loan notes amounting to RMB18,672,000, the Company recorded a loss attributable to the owners of the Company of RMB3,043,000 for the six months ended 30 June 2019, as compared to the profit attributable to the owners of the Company of RMB46,344,000 for the corresponding period in last year. Accordingly, basic and diluted loss per share for the six months ended 30 June 2019 was RMB0.15 cent, as compared to the basic and diluted earnings per share of RMB2.26 cents and RMB1.34 cents respectively as recorded in the corresponding period in last year.

Opportunities and Challenges

Aside from the unfavourable factors happened on the global level that were out of the control of the Group, the economic environment in China confronted with series of tough challenges arising from both internal and external since last year. Indeed, 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.

Affected by the pessimistic sentiment arising from the market uncertainty and the general slowdown in the economy, last year the automobile industry in China experienced the first decline in the total annual sale volume in a decade. During the six months period ended 30 June 2019, the tough market environment as experienced in second half of 2018 prevailed, total number of motor vehicles sold in China decreased significantly by 12.4% and amounted to approximately 12.32 million vehicles.

Notwithstanding the unfavourable market environment, during the period under review, in cooperation 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, requisite enhancement and upgrading projects were continued 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.

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 marketing campaigns. The total sales volume of specialized vehicles in the first half of 2019 amounted to approximately 60,900 vehicles, representing a year-on-year increase of approximately 74.0%, while sales of redecorated vehicles (for goods and for passengers) reached an impressive 58,800 vehicles, representing a year-on-year increase of 80.9%.

In response to 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 to develop environmental transportation in compliance with the national policies. 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. Electric logistic vehicles, electric sightseeing vehicles and other electric vehicles developed directly or indirectly by the Group 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 approximately 1,100 electric vehicles, comprising electric logistics vehicles and electric sightseeing vehicles were sold in the first half of 2019. Meanwhile, the Group initiated various projects for mainstream applications of new energy, including research on electric sightseeing vehicles, smart driving products and the development of electric logistics vehicles.

The Group, through its principal subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial") 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. Following the establishment of two joint venture enterprises with the renowned Faurecia Group in 2017, namely Faurecia (Liuzhou) Automotive Seating Co., Ltd and Faurecia (Liuzhou) Automotive Interior System Co., Limited for pursuing the car seat and the automotive interior parts and accessories products businesses respectively, in October 2018, Wuling Industrial and Faurecia further strengthened their collaboration by entering into the third joint venture agreement for the establishment of a new joint venture company to pursue the business of automotive emissions control system products and related parts and components in China. These collaborations aiming at extensively integrated market resources and technical capabilities of both parties to facilitate the transformation and upgrade of the Group's related products to the existing and potential customers have swiftly commenced scale operations by supplying products to the targeted customers since their establishment.

Meanwhile, to enable faster improvement in the processing technique of vehicle axles products to meet the requirements of medium-end and high end passenger vehicles, In April 2018, Wuling Industrial 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. Initial operation was then commenced following the completion of the highly-automated "Smart Factory" under the third phase development of the Liudong Facilities in November 2018 which was designated for Liuzhou AAM Automotive Transmission System Co., Ltd.

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 ventures 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 with specific focus on the new energy vehicles;

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, redecorated logistic vehicles and other specialized vehicles and the streamlining and restructuring exercises of our ancillary products such as car seat products, automotive interior parts and accessories products and emission control systems products under our key business segments;

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 aiming at the construction of a network of advance and highly-automated production facilities located in different regions across China;

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. Pessimistic sentiment arising from the slowdown of the global and regional economy coupled with the unstable global economic prospect attributable to the erratic upheavals of international conflicts would continue to exert negative effect on the automobile industry and the overall business environment. Meanwhile, keen competitive business environment will force the automobile enterprises in formulating appropriate business and market strategies responding to the dynamic market situation and unconventional risky business exposures. 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 grow steadily. Rising household income and the increasing awareness of the general public towards environmental and community issues attributable to the sustainability of the economy and the society will necessarily encourage demands for motor vehicles, as a salient means of transport and an important part of lifestyle 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 2019 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 2019 was RMB794,732,000, representing an increase of 13.5% as compared to the corresponding period in last year which was primarily attributable to an increase in sales of 3C products (i.e. cylinder block, cylinder head and crankshaft components). Operating profit for the respective period was RMB20,732,000, representing a decrease of 14.3% 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 2019 was approximately 68,000 units, representing a slight decrease of approximately 4.2% as compared to the corresponding period in last year.

During the period, sales to SGMW, our core customer, amounted to approximately RMB368,686,000, representing a decrease of 19.9% as compared to corresponding period in last year, which was resulted from the continuous 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 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 continued to maintain at a relatively low volume, which amounted to 23,000 units as compared to the sale volume of 42,000 units as achieved in the corresponding period in last year. Meanwhile, sales of 3C products to SGMW experienced an impressive growth.

As a long standing industry leader in the manufacturing of engines for the various types of vehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Despite the sluggish business environment, sales to other customers, primarily engine sets with capacity range from 1.0L to 1.6L, experienced certain extent of growth and increased to approximately RMB426,046,000 for the period, which accounted for approximately 53.6% of the total revenue of this division.

Operating margin declined to 2.6% as compared to the corresponding period in last year due to a decrease in the sale volume and the unit selling price of engine products which resulted in a lower gross profit margin. However, this negative impact was slightly alleviated by a decrease in warranty expenses incurred and the continuous improvement of the operations of the foundry facilities.

The production capacity of Wuling Liuji for the assembly lines at present could reach 800,000 units a year which covers quite an extensive list of products ranging from the lowest capacity 0.6L model to the highest capacity of 3.7L model, in which the models within the 1.0L to 2.0L range are the products where Wuling Liuji is having the competitive edge in the industry. Considering the dynamic business environment and the strengthening of the competitiveness in the market, over the past few years, in implementing the production capacity expansion programmes, special emphasis has been placed by the Group on the scalability of the production facilities such that the production and economic efficiency could be maintained in serving the market demands from different types of customers notwithstanding their different range of models and size of orders.

To further expand the product range and to achieve higher technical capability, Wuling Liuji has also 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. During the period, upgrading projects of the main models of Wuling Liuji have been completed in compliance with regulatory upgrade of the national standard of motor vehicles in China (i.e., the upgrading from National V to National VI standard) which is expected to contribute to the business performance of the division in the second half of 2019.

Besides, in addition to the NP18 model which was successfully launched in recent years, Wuling Liuji has also undertaken projects for the continuous enhancement of the NP18 model and for the development of a new model namely, NPT20 (Capacity 2.0L) in serving the specific needs of the customers of the passenger vehicles segment. The Group considers that completion of the new highly-automated production facilities designated for the NPT20 model 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. Test run of the NPT20 model has recently been commenced. Subject to the market launches of the related passenger vehicles of the customer, it is expected that the production of the NPT20 model will be commenced by the end of 2019.

At the same time, to kick start the business development in the segment of new energy vehicles, Wuling Liuji formed a joint venture with an independent third party in August 2018 to pursue the business activities in the development and production of electric motor control system and related components for new energy vehicles. At the back of the competitive strength and knowhow of the co-operative partner in their respective automobile and electric motor control system industry, the division enjoyed a speedy development in this great potential business segment, where the first model of the Group's electric motor control system products has been developed and has recently underwent the preliminary testing processes. In this respect, the division has already outlined a capacity construction plan to cater for the mass production of the Group's electric motor control system products and related components for new energy vehicles.

The division has also undertaken a comprehensive test run of its first in-house developed hybrid engine aiming at the sedan, MPV and SUV segments. The successful development of this specific type of products would further strengthen the market position of the Group in the automobile industry by having a comprehensive and diversified range of products which could serve the specific needs of various types of vehicles.

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 2019 was RMB3,016,145,000, representing a substantial decrease of 28.2% as compared to the corresponding period in last year. Operating profits for the respective period was RMB26,712,000, representing an increase of 14.7% as compared to the corresponding period in last year.

Apart from the negative effect from a general slowdown of the automobile industry in China during the year, decrease in revenue of this division was to certain extent due to the shift of the car seat products businesses, the automotive interior parts and accessories, and the automotive emissions control system products to the joint venture companies formed between Wuling Industrial and the renowned Faurecia Group, namely Faurecia Liuzhou Automotive Seating Co., Limited ("FL Seating"), Faurecia (Liuzhou) Automotive Interior System Co., Limited ("FL Interior") and Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("FL Emission"), which performance in terms of business volume and results would be further explained under the section "Performance of Joint Ventures" below.

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, business volume of SGMW experienced a significant decline resulting from the persistent unfavourable market environment of the automotive industry in China since the second half of 2018. As such, total sales to SGMW through our Group or our associated companies, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, were all experienced a substantial extent of reduction.

Operating margin slightly improved to 0.9% as compared to the corresponding period in last year. Decrease in revenue (partly due to the shift of certain businesses to the joint venture companies as abovementioned) and the low gross profit margins due to the prevailing higher raw material prices and the operating losses incurred in the new production plant in Guiyang continued to affect the profitability performance of the division. The adverse impact on the gross profit margin was however alleviated by a slight decrease in the general and administrative expenses and the research and development expenses (other than the depreciation charges) of the Group due to certain tightening cost control and strategic measures. Meanwhile, the operating losses in the production plant in Indonesia had been gradually reduced during the period.

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 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 originally designed 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 were currently leased to the newly formed joint venture companies 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 was strategically located adjacent to the passenger vehicles production base of SGMW, in which the first and second phase had become fully operational. To cope with the significant growth of passenger vehicles' components businesses, construction of the third phase of the Liudong Facilities was completed in the second half of 2018 to ensure adequate production capacity could be available to serve the increasing needs from customers on a timely basis. This third phase development which is 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 is now gradually applied for use by the joint venture company formed between Wuling Industrial and American Axle & Manufacturing, Inc., namely Liuzhou AAM Automotive Transmission System Co., Ltd. which would be further explained under the section "Performance of Joint Ventures" below.

Apart from the production facilities in the Liuzhou region, Wuling Industrial had also 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 has also undertaken certain technology advance and capacity expansion projects. Such projects, which involved 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. 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.

In addition to the above facilities, the Group has also recently established a new production facilities in Guiyang in the Guizhou province, which has commenced operation during the period by supplying automotive components to another renowned local car manufacturer. 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 interprovincial production group with facilities in Guangxi, Shandong, Chongqing and Guizhou, 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.

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 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. During the period under review, due to additional cost incurred in its initial operation and the low utilization rate of the operating facilities, the production plant in Indonesia continued to incur operating loss, but had been gradually improved as compared to last year. 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 considers that the business performance of the Group's automotive components businesses in Indonesia will continue to improve in the coming years.

Meanwhile, the Group had further expanded its overseas operations by establishing a small scale manufacturing plant in India targeted for the automotive component business of a renowned Chinese car manufacturer in India. The construction of this plant is progressing satisfactorily of which scale operation is expected to commence in second half of 2019.

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 2019 was RMB2,330,225,000, representing a significant increase of 65.2% as compared to the corresponding period in last year. Operating profit for the respective period was RMB29,278,000, representing an increase of 5.6%.

During this period, Wuling Industrial sold approximately 60,900 specialized vehicles, representing a substantial increase of 74.0% as compared to the corresponding period in last year. In which, the sale volume of redecorated vans (for goods), redecorated vans (for passengers), non-road vehicles (primarily sightseeing vehicles) and other types of vehicles were approximately 37,900, 20,900, 1,950 and 150 respectively, amongst which approximately 1,100 vehicles were new energy vehicles, comprising primarily electric logistic vehicles and electric sight-seeing 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 (for goods and for passengers) increased impressively and continued to rank as the leading supplier in this market segment. Due to keen market competition and an unfavourable business environment, the sale volume of passenger buses and school buses continued to experience certain extent of decline. Meanwhile, the Group continued to experience a moderate increase in the sale volume of electric vehicles contributed primarily from the electric sight-seeing vehicles and electric logistic vehicles. 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 reduced to 1.3% for the period under review. High portion of redecorated vans (for goods and for passengers) having low profit margin, competitive pricing strategy and increasing production costs resulting from product upgrades and improvement continued to limit the profitability performance of the division. Meanwhile, business performance of the division for the year was also adversely affected by the increasing costs of transportation and warranty expenses associated with the implementation of stringent requirements in the industry. Nevertheless, as a leading manufacturer in this niche market, the Group is confident that the profitability of this division will eventually be improved due to the increasing sale volume of higher end products in the market in consequence of the increasing customers' preferences towards higher quality products where the Group is working towards strategically.

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 electric 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 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, certain electric vehicle products of the Group, including electric logistic vehicle, electric sightseeing buses and other electric vehicles, have obtained notifications of government approval and had started to gradually launch to the market.

On the technological and product development aspect, Wuling Industrial has actively undertaken projects by adopting the technical knowhow as developed from the above electric vehicles products as the platform to explore and develop a series of electric specialized vehicles suitable for peculiar business segments, which would cover the car sharing and auto pilot aspects. In cooperation with other reputable business partners, respective trial runs for car sharing and auto pilot projects have been carried out in late 2018 and early 2019 in which initial responses are satisfactory and encouraging.

Over the years, the Group had unremittingly developed new models of specialized vehicles with improved quality and added features in response to market demands and enhanced regulatory standards. The Group is confident the launches 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 60,000 vehicles. Taking the advantage of having an existing operation in Chongqing, the Group has commenced the construction of a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 50,000 vehicles, completion of 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 consecutive impressive growth in business volume in recent years 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. During the six months ended 30 June 2019, Wuling Liuji and Liuzhou Lingte continued to 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 registered a half year revenue of RMB6,823,000 and a net operating loss of RMB2,260,000 for the six months ended 30 June 2019, in which a loss of RMB1,153,000 was attributable to the Group.

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 was established for developing the businesses of engineering machinery and other industrial vehicles products. At the back of the continuous recovery of businesses, the business performance of Guangxi Weixiang continued to contribute profitability to the Group during the six months ended 30 June 2019, from which a half year revenue of RMB248,998,000 and a net operating profit of RMB6,238,000 were achieved for the period under review, in which a profit of RMB3,119,000 was attributable to the Group.

FL Seating which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established in 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 FL Seating. The initial operation of FL Seating was 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 2019, due to a substantial decrease in the business volume of SGMW, sale of FL Seating experienced a decline and amounted to RMB250,409,000, whereas a net operating loss of RMB9,498,000 was incurred, in which RMB4,749,000 was attributable to the Group.

FL Interior which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established in 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 FL Interior within five years. The initial operation of FL Interior was primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which 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 2019, same as above, due to a substantial decrease in the business volume of SGMW, sale of FL Interior experienced a decline and amounted to RMB213,071,000, whereas a net operating loss of RMB2,067,000 was incurred, in which RMB1,034,000 was attributable to the Group.

FL Emission which is be owned as to 50% each by Wuling Industrial and Faurecia Group and established in March 2019 for pursuing the business of automotive emissions control system products and related parts and components in the PRC has commenced operation in May 2019. Wuling Industrial considers the co-operation with Faurecia Group will provide essential technical support to the Group 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 RMB60,000,000 to the newly formed FL Emission. The initial operation of FL Emission was primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of automotive emissions control system products located in Liuzhou and the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou. During the six months ended 30 June 2019, same as above, due to a substantial decrease in the business volume of SGMW and the initial operation of FL Emission, sale of FL Emission amounted to RMB15,493,000, whereas a net operating loss of RMB2,384,000 was incurred, in which RMB1,192,000 was attributable to the Group.

In April 2018, Wuling Industrial entered into a joint venture agreement with American Axle & Manufacturing, Inc. ("AAM International") with respect to the joint establishment of Liuzhou AAM Automotive Transmission System Co., Ltd. ("AAMJV"), 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, which includes the independent drive axles, propshafts and other driveline products, driveheads for high-end Salisbury axles or banjo axles, e-drive units for new energy vehicles, and other driveline components for motor vehicles. Wuling Industrial considers the co-operation with AAM International 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 co-operate 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 International will each contribute cash in the amount of RMB69,000,000 to AAMJV. AAMJV has been formally established in July 2018, which will occupy the highly-automated "Smart Factory" under the third phase development of the Liudong Facilities for its operation. During the six months ended 30 June 2019, same as above, due to a substantial decrease in the business volume of SGMW and the initial operation of AAMJV, sale of AAMJV amounted to RMB859,000, whereas a net operating loss of RMB2,390,000 was incurred, in which RMB1,195,000 was attributable to the Group.

Financial Review

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group's total revenue for the six months ended 30 June 2019 was RMB6,145,841,000, representing a moderate decrease of 2.6% as compared to the corresponding period in last year. The decrease was mainly attributable to a substantial decrease in the revenue of the Group's automotive components and other industrial services division caused by a reduction in the business volume contributed by a key customer of the Group resulting from the persistent unfavourable market environment of the automotive industry in China during the period. Meanwhile, revenue from the engines and parts division for the six months ended 30 June 2019 remained stable and revenue from the specialized vehicles division continued to grow satisfactorily over the period.

Gross profit for the period under review was RMB522,280,000, representing a decrease of 10.4%. The decline in the Group's revenue in the automotive components and other industrial services division and the prevailing high raw materials prices during the period kept the cost of production at a high level and resulted in a decrease in the gross profit margin to 8.5% as compared to the 9.2% as recorded in corresponding period in last year. Meanwhile, the operating losses incurred in the production plant in Indonesia had been gradually reduced during the period.

The adverse impact from the decline in gross profit margin was to certain extent 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. However, in the absence of the positive impact from the income tax credit resulting from the reversal of overprovision in prior years and the gain on fair value change of the derivative financial instruments of the convertible loan notes as recorded in corresponding period in last year, net profit of the Group for the first half of 2019 was RMB12,450,000, representing a significant decrease of 82.6% as compared to the corresponding period in last year.

Due to the bearing of the related effective interest expenses incurred by the Company for the convertible loan notes amounting to RMB18,672,000, the Company recorded a loss attributable to the owners of the Company of RMB3,043,000 for the six months ended 30 June 2019, as compared to the profit attributable to the owners of the Company of RMB46,344,000 for the corresponding period in last year. Accordingly, basic and diluted loss per share for the six months ended 30 June 2019 was RMB0.15 cent, as compared to the basic and diluted earnings per share of RMB2.26 cents and RMB1.34 cents respectively as recorded in the 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 RMB57,465,000 for the six months ended 30 June 2019, representing a decrease of 2.9% as compared to the corresponding period in last year due to decreases in bank interest income.

Other gains and losses amounted to a net loss of RMB7,639,000 for the six months ended 30 June 2019, which comprised primarily loss on disposals of certain property, plant and machinery amounting to RMB5,529,000 and loss from the effect of changes in fair value on the convertible loan notes amounting to RMB1,938,000.

Share of result of associates represented primarily the net operating losses attributable to the three joint ventures formed with the Faurecia Group, namely FL Seating, FL Interior and FL Emission. Due to a substantial decrease in the business volume of SGMW, FL Seating and FL Interior were both experienced certain extent of decline in the business volume and resulted in net operating losses position in the first half of 2019, whereas, FL Emission also incurred net operating losses in its initial stage of operation.

Share of results of joint ventures registered a total net profit of RMB194,000 for the six months ended 30 June 2019 primarily attributable to the net operating profits of Guangxi Weixiang which business continued to be benefited from the favourable business environment of its segment, whereas Liuzhou Lingte and AAMJV continued to incur net operating losses in their initial stage of operation.

Selling and distribution costs of the Group comprised primarily transportation costs, warranty expenses and other marketing expenses were in aggregate RMB64,961,000 for the six months ended 30 June 2019, representing a decrease of 43.2% as compared to the corresponding period in last year which was in line with the decrease in revenue of the automotive components and other industrial services division resulting in a substantial decrease in warranty expenses and 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 RMB400,031,000 for the six months ended 30 June 2019, representing a decrease of 3.9% 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 2019 amounted to RMB30,704,000, representing a decrease of 35.1% 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 2019 amounted to RMB58,190,000, representing a decrease of 14.7% as compared to the corresponding period in last year due to a lower interest rate charged in the Group's operations in PRC. The finance costs had also included an amount of RMB18,672,000 incurred for the convertible loan notes issued by the Company, calculated on the effective interest rates method.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019, total assets and total liabilities of the Group stood at RMB12,052,552,000 and RMB9,562,577,000 respectively.

Non-current assets amounted to RMB4,746,029,000 comprised mainly property, plant and equipment, right-of-use assets, deposits paid for acquisition of property, plant and equipment, interests in joint ventures and associates, etc.

Current assets amounted to RMB7,306,523,000 comprised mainly inventories of RMB1,148,544,000, trade and other receivables of RMB2,977,726,000, bills receivables at fair value through other comprehensive income of RMB1,712,748,000 (inclusive of bills receivables discounted with recourse but not yet matured amounting to RMB953,825,000), pledged bank deposits of RMB856,163,000 and bank balances and cash of RMB611,342,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB1,314,063,000 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 RMB9,210,503,000, comprised mainly trade and other payables of RMB6,822,086,000, contract liabilities of RMB219,717,000, lease liabilities of RMB59,077,000, provision for warranty of RMB83,820,000, tax payable of RMB92,464,000, derivative financial instrument in relation to the convertible loan notes issued by the Company of RMB3,196,000, convertible loan notes of RMB189,793,000, financial liability at fair value through profit or loss of RMB2,124,000, bank borrowings — due within one year of RMB783,184,000 and advances drawn on bills receivables discounted with recourse of RMB955,042,000. The corresponding bills receivables discounted with recourse to these advances amounting to RMB953,825,000 were recorded as trade and other receivables which would be offset against upon maturity.

The Group recorded net current liabilities of RMB1,903,980,000 as at 30 June 2019, which had been increased as compared to the net current liabilities of RMB1,543,517,000 as at 31 December 2018, partly due to the transfer of the full liability component of the convertible loan notes from non-current liabilities to current liabilities during the period.

Non-current liabilities amounted to RMB352,074,000 comprised mainly bank borrowings — due after one year of RMB202,000,000, lease liabilities of RMB62,900,000, contract liabilities of RMB13,139,000, deferred tax liability of RMB24,035,000 and amount due to an associate of RMB50,000,000.

Liquidity and Capital Structure

During the six months ended 30 June 2019, 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 2019, total bank balances and cash maintained by the Group amounted to RMB611,342,000. Besides, pledged bank deposits amounting to RMB856,163,000 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 RMB985,184,000 as at 30 June 2019, which were increased moderately since last year to serve as an alternative source of finance, which included lower interest rate foreign currency one year term loans amounting to US$95,000,000. The Group had entered into appropriate forward contract to hedge against the currency risk of these foreign currency bank loans.

As at 30 June 2019, the outstanding advances drawn on bill receivables discounted with resource were RMB955,042,000 which were decreased during the period. The corresponding bill receivables discounted with recourse to these advances amounting to RMB953,825,000 were recorded as bills receivables at fair value through other comprehensive income 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 (Hong Kong) Holdings Limited ("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 2019, 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 2019 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 2019, 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 RMB1,444,447,000 as at 30 June 2019. Net asset value per share was approximately RMB70.5 cents as at 30 June 2019.

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: 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 2019 (Six months ended 30 June 2018: 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 six months ended 30 June 2019, 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 six months ended 30 June 2019.

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 2019 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 2019 has also been reviewed by the Audit Committee.

INTERIM REPORT

The interim report for the six months ended 30 June 2019 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. Yang Jianyong and Mr. Wang Zhengtong 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, 30 August 2019