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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 2022

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 2022 together with the comparative figures of the corresponding period in 2021. The interim results are unaudited, but have been reviewed by KPMG 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 will be included in the interim report to be sent to the shareholders of the Company. The interim results have also been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited (Expressed in Renminbi Yuan ("RMB"))

		Six months ended 30 June	
		2022	2021
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*		
Goods and services		**6,243,241**	7,115,309
Rental		**31,445**	47,473
Total revenue		**6,274,686**	7,162,782
Cost of sales and services		**(5,902,353)**	(6,669,437)
Gross profit		**372,333**	493,345
Other income	*5(c)*	**85,158**	92,261
Other gains and losses	*4*	**(16,432)**	(12,542)
Selling and distribution costs		**(46,837)**	(83,657)
General and administrative expenses		**(275,028)**	(351,535)
Research and development expenses		**(190,987)**	(117,973)
Reversals of impairment losses under expected credit loss model		**3,042**	2,271
Share of results of associates		**(506)**	2,192
Share of results of joint ventures		**(6,157)**	(3,120)
Finance costs	*5(a)*	**(62,287)**	(62,777)
Loss before taxation	*5*	**(137,701)**	(41,535)
Income tax expenses	*6*	**(886)**	(3,691)
Loss for the period		**(138,587)**	(45,226)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2022 — unaudited (Expressed in RMB)

		Six months ended 30 June	
		2022	2021
	NOTES	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the Company		**(80,545)**	(21,015)
Non-controlling interests		**(58,042)**	(24,211)
Loss for the period		**(138,587)**	(45,226)
Loss per share	*7*		
— Basic		**RMB2.44 cents**	RMB0.64 cents
— Diluted		**RMB2.44 cents**	RMB0.64 cents
Loss for the period		**(138,587)**	(45,226)
Other comprehensive income/(expense) for the period (after tax and reclassification adjustments):			
Items that will not be reclassified to profit or loss:			
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties	*8(a)*	**–**	1,590
		–	1,590
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside Mainland China		**5,347**	(1,949)
Fair value gain/(loss) on bills receivable at fair value through other comprehensive income ("FVTOCI")		**14,449**	(4,998)
		19,796	(6,947)
Other comprehensive income/(expense) for the period		**19,796**	(5,357)
Total comprehensive expense for the period		**(118,791)**	(50,583)
Attributable to:			
Owners of the Company		**(66,399)**	(25,039)
Non-controlling interests		**(52,392)**	(25,544)
		(118,791)	(50,583)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited (Expressed in RMB)

	NOTES	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*8(c)*	**2,947,449**	3,149,655
Right-of-use assets	*8(b)*	**291,106**	219,502
Intangible asset		**71,117**	26,055
Investment properties	*8(a)*	**465,433**	452,093
Interests in associates		**250,666**	301,172
Interests in joint ventures		**168,473**	174,630
Deposits paid for acquisition of property, plant and equipment		**46,777**	14,440
Equity instrument at FVTOCI		**2,048**	2,048
		4,243,069	4,339,595
Current assets			
Inventories		**1,275,406**	1,745,523
Trade and other receivables	*9*	**2,208,201**	2,664,609
Bills receivable at FVTOCI	*10*	**4,386,116**	3,789,160
Prepaid tax		**7,854**	2,969
Pledged bank deposits		**880,218**	643,933
Bank balances and cash		**3,388,839**	1,835,735
Financial assets at fair value through profit or loss ("FVTPL")		**7,416**	–
Assets held for sale	*11*	**313,490**	–
		12,467,540	10,681,929
Current liabilities			
Trade and other payables	*12*	**7,506,836**	7,350,218
Contract liabilities		**182,282**	195,660
Lease liabilities	*8(b)*	**61,701**	6,570
Provision for warranty	*13*	**86,611**	95,023
Bank borrowings	*14*	**2,551,743**	1,558,488
Advances drawn on bills receivable discounted with recourse	*14*	**3,395,307**	2,876,265
Financial liabilities at FVTPL		**–**	14,200
Liabilities held for sale	*11*	**9,871**	–
		13,794,351	12,096,424
Net current liabilities		**(1,326,811)**	(1,414,495)
Total assets less current liabilities		**2,916,258**	2,925,100

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2022 — unaudited (Expressed in RMB)

	NOTES	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000* (Audited)
Non-current liabilities			
Contract liabilities		**8,739**	9,472
Lease liabilities	*8(b)*	**55,738**	4,218
Amount due to an associate		**–**	50,000
Bank borrowings	*14*	**117,000**	–
Deferred tax liabilities		**24,386**	28,240
		205,863	91,930
NET ASSETS		**2,710,395**	2,833,170
CAPITAL AND RESERVES			
Share capital	*15*	**11,782**	11,782
Reserves		**1,804,946**	1,868,853
Equity attributable to owners of the Company		**1,816,728**	1,880,635
Non-controlling interests		**893,667**	952,535
TOTAL EQUITY		**2,710,395**	2,833,170

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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").

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 exceeded its current assets by approximately RMB1,327 million (31 December 2021: RMB1,414 million) as at 30 June 2022. The directors of the Company are of the opinion that, after due and careful enquiry taking into account the continuous financial support provided from Guangxi Automobile Holdings Limited ("Guangxi Automobile") and the financial resources available to the Group, including internally generated funds, the available banking facilities for issuance of bills payable and bank borrowings and assets available to pledge for obtaining further banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments are relevant to the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Notes	For the six months ended 30 June 2022 RMB'000	2021 RMB'000
Type of goods and services			
— Sales of engines and related parts and other power supply products	*(a)*	**1,307,844**	1,453,583
— Sales of automotive components and accessories	*(b)*	**2,406,726**	2,545,887
— Sales of specialized vehicles (including new energy vehicles)	*(c)*	**2,085,759**	2,606,796
— Trading of steels	*(b)*	**390,761**	460,067
— Provision of water and power supply	*(b)*	**52,151**	48,976
Revenue from contracts with customers within scope of HKFRS15		**6,243,241**	7,115,309
Revenue from gross rental income		**31,445**	47,473
Total		**6,274,686**	7,162,782
Timing of revenue recognition			
At point in time		**6,191,090**	7,066,333
Over time		**83,596**	96,449
Total		**6,274,686**	7,162,782
Geographical markets			
Mainland China		**6,217,010**	7,117,880
Others		**57,676**	44,902
Total		**6,274,686**	7,162,782

Notes:

(a) These revenue has been classified as revenue under the vehicles' power supply systems segment in the segment information.

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

(c) These revenue has been classified as revenue under the commercial vehicles assembly (including new energy 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:

- Vehicles' power supply systems – Manufacture and sale of engines and related parts and other power supply products
- 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
- Commercial vehicles assembly (including new energy vehicles) – Manufacture and sale of specialized vehicles
- Others – Property investment and others

The measure used for reporting segment profit or loss is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as finance income/costs. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and joint ventures, fair value changes of financial instruments at FVTPL and investment properties, and other head office or corporate administration costs.

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

	Vehicles' power supply systems *RMB'000*	Automotive components and other industrial services *RMB'000*	Commercial vehicles assembly *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2022						
Revenue						
Revenue from external customers	**1,307,844**	**2,849,638**	**2,085,759**	**31,445**	**–**	**6,274,686**
Inter-segment revenue	**6,239**	**118,452**	**1,903**	**–**	**(126,594)**	**–**
Total	**1,314,083**	**2,968,090**	**2,087,662**	**31,445**	**(126,594)**	**6,274,686**
Segment (loss) profit (adjusted EBIT)	**(63,013)**	**(12,327)**	**(36,160)**	**30,487**		**(81,013)**
Bank interest income						**49,687**
Change in fair value of financial assets at FVTPL						**7,416**
Net exchange loss						**(14,736)**
Decrease in fair value of investment properties						**(8,275)**
Central administrative costs						**(21,830)**
Share of results of associates						**(506)**
Share of results of joint ventures						**(6,157)**
Finance costs						**(62,287)**
Loss before taxation						**(137,701)**

	Vehicles' power supply systems	Automotive components and other industrial services	Commercial vehicles assembly	Others	Elimination	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2021						
Revenue						
Revenue from external customers	1,453,583	3,054,930	2,606,796	47,473	–	7,162,782
Inter-segment revenue	2,040	42,594	2,591	–	(47,225)	–
Total	1,455,623	3,097,524	2,609,387	47,473	(47,225)	7,162,782
Segment (loss) profit (adjusted EBIT)	(40,531)	12,424	12,525	42,504		26,922
Bank interest income						28,206
Change in fair value of financial assets/ liabilities at FVTPL						(3,453)
Net exchange loss						(679)
Decrease in fair value of investment properties						(3,327)
Central administrative costs						(25,499)
Share of results of associates						2,192
Share of results of joint ventures						(3,120)
Finance costs						(62,777)
Loss before taxation						(41,535)

Seasonality of operation

The Group's three main reportable segments (as defined in note 3(a), 3(b) and 3(c)) see higher demand for their products during the second half, which is consistent with the practice of the automobile industry. The aforementioned industry practice is primarily related to the exhibitions and promotion activities held during September and October which stimulates higher demand in the following months until Chinese New Year. As a result, the Group typically reports higher revenue and segment results for the second half of the year, than the first half.

For the twelve months ended 30 June 2022, the three main reportable segments of the Group reported revenue of RMB13,490,873,000 (twelve months ended 30 June 2021: RMB16,777,471,000).

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Impairment losses on assets held for sale	**(7,527)**	–
Decrease in fair value of investment properties	**(8,275)**	(3,327)
Fair value change of financial assets/liabilities at FVTPL	**7,416**	(3,453)
Net exchange loss	**(14,736)**	(679)
Gain/(loss) on disposal of property, plant and equipment and investment properties	**9,177**	(5,466)
Others	**(2,487)**	383
	(16,432)	(12,542)

5. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Loss before taxation is arrived at after charging/(crediting):		
(a) Finance costs		
Interests on:		
— Bank borrowings	**21,804**	16,921
— Advances drawn on bills receivable	**38,570**	45,190
— Lease liabilities	**1,913**	666
	62,287	62,777

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
(b) Staff costs		
Salaries, wages and other benefits	**504,219**	502,446
Contributions to defined contribution retirement plans	**37,110**	47,578
Equity-settled share-based payment expenses	**10,941**	–
	552,270	550,024

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
(c) Other items		
Depreciation charge		
— owned property, plant and equipment	**207,245**	175,408
— right-of-use assets	**28,409**	23,363
(Reversal of write-down)/write-down of inventories, net	**(20,820)**	10,273
Cost of inventories*	**5,825,978**	6,598,397
Bank interest income	**(49,687)**	(28,206)
Government grants	**(4,202)**	(22,746)

* Cost of inventories includes RMB453,030,000 (six months ended 30 June 2021: RMB459,598,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above.

6. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Tax charge represents:		
Current tax	**2,873**	6,098
Withholding tax on dividend distribution	**393**	481
Underprovision/(overprovision) in prior years	**1,474**	(1,550)
	4,740	5,029
Deferred tax		
Origination and reversal of temporary differences	**(3,854)**	(1,338)
	886	3,691

People's Republic of China ("the PRC")

In accordance with the relevant PRC corporate income tax laws, implementation regulations and guidance notes, certain subsidiaries in Mainland China are entitled to tax concessions whereby the profits of the subsidiaries are taxed at a preferential income tax rate. Wuling Industrial, Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors") and Wuling Liuji Foundry Company Limited ("Liuji Foundry") are approved as enterprises that satisfied as a High-New Technology Enterprises and entitled the preferential tax rate of 15% in 2021, 2022 and 2023. Liuzhou Zhuotong Motors Industrial Co., Ltd. ("Liuzhou Zhuotong") and Chongqing Zhuotong Motors Industrial Co., Ltd. ("Chongqing Zhuotong") were applicable to the tax concession of the Western Development in PRC and entitled the preferential tax rate of 15% in 2022. Taxation of the Group's other subsidiaries in Mainland China are calculated using the applicable income tax rates of 25%.

The PRC Enterprise Income Tax ("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 liabilities of RMB3,854,000 has been reversed (six months end 30 June 2021: RMB1,338,000 has been reversed) in respect of the undistributed earnings of the Group's PRC subsidiaries and credit 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 did not earn any assessable income subject to Hong Kong Profits Tax for both periods.

Others

Taxation for other overseas subsidiaries is calculated using the estimated annual effective rate of taxation that are expected to be applicable in the relevant countries.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB80,545,000 (six months ended 30 June 2021: RMB21,015,000) and the weighted average number of 3,298,161,000 ordinary shares (six months ended 30 June 2021: 3,258,736,000 ordinary shares) in issue during the interim period, calculated as follow:

Weighted average number of ordinary shares

	For the six months ended 30 June	
	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**3,298,161**	3,075,161
Effect of top-up placing and subscription exercise *(note 15(a))*	**–**	183,575
Weighted average number of ordinary shares at 30 June	**3,298,161**	3,258,736

(b) Diluted loss per share

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2022 and 2021, and therefore, diluted loss per share is the same as the basic loss per share.

8. INVESTMENT PROPERTIES, RIGHT-OF-USE ASSETS, LEASE LIABILITIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) 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 RMB30,281,000 and the fair value of RMB27,300,000 at the date of transfer of RMB2,981,000 (six months ended 30 June 2021: RMB1,871,000 less deferred tax impact of RMB281,000), has been recognized in other gains and losses (six months ended 30 June 2021: recognized in other comprehensive income and accumulated in property revaluation reserve).

During the current interim period, the Group transferred investment property of RMB3,106,000 to other property, plant and equipment (six months ended 30 June 2021: RMB17,524,000) due to the termination of the leasing agreement and change of intention to own use.

During the current period, the Group disposed of investment property with the carrying amount of RMB5,560,000 (six months ended 30 June 2021: nil). A gain of RMB232,000 has been recognized in other gains and losses.

The valuations of investment properties carried at fair value were updated at 30 June 2022 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2021 valuations.

As a result of the update, a net loss of RMB5,294,000 (six months ended 30 June 2021: RMB3,327,000) has been recognised in profit or loss for the period in respect of investment properties.

(b) Right-of-use assets and lease liabilities

During the current interim period, the Group entered into new lease agreements for the use of leasehold lands, office, production facilities and warehouse properties for 1 to 6 years. The Group is required to make fixed payments. The Group recognized additions to right-of-use assets of RMB107,449,000 and the corresponding lease liabilities of RMB107,449,000 during the current interim period. As at 30 June 2022, there were RMB106,914,000 in lease liabilities arising from the lands and buildings leased from Guangxi Automobile Group (As at 31 December 2021: Nil).

At 30 June 2022, the Group's carrying amounts of right-of-use assets are RMB291,106,000 and lease liabilities under current liabilities and non-current liabilities are RMB61,701,000 and RMB55,738,000, respectively.

(c) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB171,732,000 (six months ended 30 June 2021: RMB212,299,000). Items of property, plant and equipment with a net book value of RMB15,558,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB17,186,000), resulting in a gain on disposal of RMB8,945,000 (six months ended 30 June 2021: loss of RMB5,466,000).

9. TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**918,061**	1,519,940
— Guangxi Automobile Group	*(b)*	**45,956**	36,464
— Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang")	*(c)*	**7**	7
— Liuzhou AAM	*(c)*	**5,545**	10,942
— FL Seating	*(d)*	**3,748**	16
— FL Interior	*(d)*	**14,082**	10,661
— FL Emissions	*(d)*	**4,094**	10,861
— Third parties		**850,524**	743,607
		1,842,017	2,332,498
Less: Allowance for credit losses		**(55,206)**	(58,075)
		1,786,811	2,274,423
Other receivables		**70,848**	39,082
Less: Allowance for credit losses		**(623)**	(2,250)
		70,225	36,832
Prepayments		**333,095**	277,045
Value-added tax recoverable		**18,070**	76,309
Total trade and other receivables		**2,208,201**	2,664,609

Notes:

(a) Guangxi Automobile has significant influence over SGMW.

(b) Being Guangxi Automobile and its subsidiaries and associates other than the Group and SGMW (collectively referred to as the "Guangxi Automobile Group").

(c) Guangxi Weixiang and Liuzhou AAM are joint ventures of the Group.

(d) FL Seating, FL Interior and FL Emissions are associates of the Group.

The Group allows credit period of 30 days to 180 days for sale of goods to its trade customers.

Included in trade and other receivables are trade receivables of RMB1,786,811,000 (31 December 2021: RMB2,274,423,000) and an ageing analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date, is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
0–90 days	**1,655,185**	2,102,850
91–180 days	**67,616**	127,228
181–365 days	**49,204**	38,530
Over 365 days	**14,806**	5,815
	1,786,811	2,274,423

10. BILLS RECEIVABLE AT FVTOCI

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Bills receivable *(Note (a))*:		
— SGMW	**491,325**	38,004
— Guangxi Automobile Group	**2,792**	1,923
— Third parties	**499,395**	878,950
	993,512	918,877
Bills receivable discounted with recourse *(Note (b))*	**3,392,604**	2,870,283
	4,386,116	3,789,160

Notes:

(a) Bills receivable represent bills received from customers to settle the trade receivables. The ageing analysis based on the date of receipt of bills from customers is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
0–90 days	**679,327**	836,462
91–180 days	**313,737**	81,922
181–365 days	**448**	493
	993,512	918,877

(b) The amounts represent bills receivable discounted to banks and Guangxi Automobile with recourse with a primary maturity period of less than 180 days. The Group recognizes the full amount of the discount proceeds as liabilities as set out in note 14.

The ageing analysis based on the date of receipt of bills from customers is presented as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
0–90 days	**2,086,148**	1,562,138
91–180 days	**1,298,487**	1,288,925
181–365 days	**7,969**	19,220
	3,392,604	2,870,283

11. DISPOSAL GROUP HELD FOR SALE

In June 2022, management committed to a plan to sell part of manufacturing facilities within the commercial vehicles assembly (including new energy vehicles) segment. Accordingly, part of that facilities are presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected to be finished by September 2022.

As at 30 June 2022, the disposal group comprised assets and liabilities of RMB303,619,000, detailed as follows:

	At 30 June 2022 *RMB'000*
Property, plant and equipment	**126,509**
Inventories	**153,126**
Intangible assets	**33,855**
Other payables	**(9,871)**
	303,619

An impairment loss of RMB7,527,000 writing down the carrying amount of the disposal group to its fair value less costs to sell has been included in 'other gains and losses' in the condensed consolidated statement of profit or loss and OCI. The property, plant and equipment, inventories and other payables have been transferred in July 2022.

12. TRADE AND OTHER PAYABLES

	Notes	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade and bills payable:	*(a)*		
— SGMW		**186,525**	77,959
— Guangxi Automobile Group		**244,266**	61,637
— FL Seating		**40,564**	21,990
— FL Interior		**17,738**	72,601
— FL Emissions		**13,333**	37,517
— Other related companies		**5,727**	8,386
— Third parties		**6,454,061**	6,138,016
		6,962,214	6,418,106
Value added and other tax payables		**51,843**	246,918
Accrued research and development expenses		**149,163**	110,372
Accrued staff costs		**113,169**	133,337
Deposits received from suppliers		**66,392**	54,611
Other payables	*(b)*	**164,055**	386,874
Total trade and other payables		**7,506,836**	7,350,218

Notes:

(a) An ageing analysis of trade and bills payable based on the invoice date is as follows:

Trade payables

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
0–90 days	**2,354,397**	2,606,733
91–180 days	**105,551**	149,790
181–365 days	**47,763**	288,639
Over 365 days	**137,460**	245,364
	2,645,171	3,290,526

Bills payable

	At **30 June** **2022** ***RMB'000***	At 31 December 2021 *RMB'000*
0–90 days	**2,059,399**	1,707,247
91–180 days	**2,257,644**	1,420,333
	4,317,043	3,127,580

(b) Included in other payables are amount due to Guangxi Automobile Group of RMB75,000 (31 December 2021: RMB11,398,000). The amount is non-trade nature, unsecured, interest-free and repayable on demand.

13. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2021	95,961
Additional provision for the year	62,134
Utilization of provision	(63,072)
At 31 December 2021	**95,023**
Additional provision for the period	**21,101**
Utilization of provision	**(29,513)**
At 30 June 2022	**86,611**

The Group provides warranty of certain periods to its customers on engines and related parts, automotive components and accessories and specialized vehicles (including new energy vehicles), under which any product defects are repaired or replaced. The amount of the provision for the warranty is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

14. BANK BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLE DISCOUNTED WITH RECOURSE

	Notes	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank borrowings		**2,668,743**	1,558,488
Analysis of bank borrowings:			
Secured	*(a)*	**–**	26,017
Unsecured		**2,668,743**	1,532,471
		2,668,743	1,558,488
Less: Amounts due within one year shown under current liabilities		**(2,551,743)**	(1,558,488)
Amounts shown under non-current liabilities		**117,000**	–
Advances drawn on bills receivable discounted with recourse	*(b)*	**3,395,307**	2,876,265

Notes:

(a) The bank borrowings as at 31 December 2021 were secured by bank deposits of RMB643,933,000.

(b) The amount represents the Group's other borrowings secured by the bills receivable discounted to banks or Guangxi Automobile with recourse (see note 10(b)). The balance includes RMB465,812,000 discounted to Guangxi Automobile with recourse.

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

	For the six months ended 30 June 2022	2021
Effective interest rate (per annum):		
Fixed-rate borrowings	**0.50%-3.85%**	0.50%-3.65%

15. SHARE CAPITAL AND DIVIDEND

(a) Share Capital

	Number of shares	Amount *HK$'000*
Authorized:		
Ordinary shares of HK$0.004 each *(note (i))*	25,380,350,000	101,521
Balance at 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022		101,521
Issued and fully paid:		
Ordinary shares of HK$0.004 each:		
As at 1 January 2021	3,075,161,332	12,301
Top-up placing and subscription exercise *(note (ii))*	223,000,000	892
As at 30 June 2021, 31 December 2021 and 30 June 2022	3,298,161,332	13,193

	At 30 June 2022 ***RMB'000***	At 31 December 2021 *RMB'000*
Shown in the condensed consolidated financial statements at the end of the reporting period	**11,782**	11,782

Notes:

(i) By the respective ordinary resolutions passed by the shareholders of the Company in the Company's annual general meeting held on 16 June 2022: (i) the 1,521,400,000 authorised but unissued convertible preference shares of par value HK$0.001 each of the Company were consolidated into 380,350,000 consolidated convertible preference shares of par value HK$0.004 each of the Company; and; (ii) the 380,350,000 authorised but unissued consolidated convertible preference shares of par value HK$0.004 each of the Company were reclassified as 380,350,000 ordinary shares of par value HK$0.004 each of the Company.

(ii) On 21 January 2021, the Company announced a top-up placing and subscription exercise under the general mandate obtained from the shareholders of the Company during the annual general meeting of the Company held on 30 June 2020. Upon which a total number of 223,000,000 new shares were issued at HK$2.47 per share, raising a net proceeds of approximately HK$537.8 million for the purposes of, inter alia, financing the research and development projects of the new model electric logistic vehicles of the Group and the repayment of certain interest-bearing short-term borrowings of the Company. This top-up placing and subscription exercise, which was completed on 1 February 2021, also helped to further strengthen the financial position of the Group.

(b) Dividend

The directors of the Company have determined that no dividend will be declared or paid in respect of the current interim period (six months ended 30 June 2021: nil).

During the current interim period, a final dividend of HK$0.3 cents per share (six months ended 30 June 2021: HK$0.3 cents per share) in respect of the previous financial year was declared to the owners of the Company. The aggregate amount of the final dividend declared during the current interim period amounted to HK$9,894,000 (equivalent to RMB8,449,000) (six months ended 30 June 2021: HK$9,894,000 or equivalent to RMB8,229,000) and has been paid subsequent to the interim period.

(c) Share Option Scheme

Share Option Scheme I

Pursuant to an ordinary resolution passed by the shareholders of the Company on 28 May 2012, a share option scheme with an expiry date on 27 May 2022 was adopted by the Company ("Share Option Scheme I"). Pursuant to a resolution passed by shareholders in the AGM dated 10 November 2021, the Share Option Scheme I was terminated. There are no option granted or outstanding under the Share Option Scheme I.

Share Option Scheme

The Company has a share option scheme which was adopted on 10 November 2021 ("Adoption Date") ("Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, but exclusive of any independent non-executive director, external director and any shareholder (or beneficial owner) holding 5% or more of the issued share capital of the Company, or the spouse, any parent, child or other associate of such shareholder (or beneficial owner) to take up options at nil consideration to subscribe for shares of the Company. The purpose of the scheme are (i) to recognize and acknowledge the contributions or potential contributions made or to be made by the participants to the Group; (ii) to motivate the participants to optimize their performance and efficiency for the benefit of the Group; (iii) to maintain or attract business relationship with the participants whose contributions are or may be beneficial to the growth of the Group; and (iv) to establish a benefit sharing and risk sharing mechanism among the shareholders, the Company and the participants to all together pay more attention to long-term development of the Company.

The terms and conditions of the Share Option Scheme are as follows:

1. *Purpose*

   As above mentioned

2. *Participants*

   As above mentioned

3. *Maximum Quantity of Grant*

   98,944,839 Shares, being 3% of the total number of Shares in issue as at the Adoption Date.

4. *Maximum Entitlement of Each Participant*

   The maximum of Shares entitled to each participant shall not exceed 1% of the total number of Shares in issue in any 12-month period.

5. *Time Limit for Exercise of Share Options*

   Restriction Period

   From the date of grant of the share options ("Grant Date") of the Company ("Share Option(s)) and lasts for twenty-four (24) months.

   Vesting Period

   In respect of each grant, upon satisfaction of conditions for vesting under the Share Option Scheme, the Share Options granted shall be vested in batches as follows:

   (i) From the first trading day after the second-year anniversary (24-month) of the Grant Date to the last trading day within the third-year anniversary (36-month) of the date of completion of registration, 30% of the total number of Share Options granted shall be vested and exercisable;

   (ii) From the first trading day after the third-year anniversary (36-month) of the Grant Date to the last trading day within the fourth-year anniversary (48- month) of the date of completion of registration, 30% of the total number of Share Options granted shall be vested and exercisable (excluding the Share Options which have already been vested and exercised); and

   (iii) From the first trading day after the fourth-year anniversary (48-month) of the Grant Date to the last trading day within the fifth-year anniversary (60-month) of the date of completion of registration, 40% of the total number of Share Options granted shall be vested and exercisable (excluding the Share Options which have already been vested and exercised).

6. *Amount Payable on Acceptance*

Not applicable

7. *Basis of Determining the Exercise Price*

As determined by the Board in accordance with the Listing Rules, which shall be at least the higher of:

(i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the Grant Date;

(ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Grant Date; and

(iii) the nominal value of the Shares.

8. *The remaining life of the Share Option Scheme*

The Share Option Scheme is valid and effective for a period of six years commencing from the Adoption Date and expire on the sixth anniversary of the Adoption Date.

Granting of Share Options

On 10 December 2021, a total number of 86,425,300 Share Options, representing approximately 2.26% of the issued share capital of the Company on the Grant Date were granted to the executive Director, Mr. Wei Mingfeng and a number of 834 employees of the Group, in which a number of 83,473,600 Share Options were subsequently accepted by the grantees and a number of 2,951,700 Share Options were not accepted and were deemed to be cancelled. The Share Options were granted at an exercise price of HK$1.93 per Share, which was determined with reference to the highest of: (i) HK$1.93, being the closing price of the Shares on the Grant Date; and (ii) HK$1.814, being the average closing price of the Shares on the five (5) trading days prior to the Grant Date.

(i) The terms and conditions of the Share Options granted are as follows:

	Number of options	Vesting conditions	Contractual life of options
Share Options granted to a director:			
	100,620	Two years from the date of grant	3 years
	100,620	Three years from the date of grant	4 years
	134,160	Four years from the date of grant	5 years
Share Options granted to employees:			
	24,941,460	Two years from the date of grant	3 years
	24,941,460	Three years from the date of grant	4 years
	33,255,280	Four years from the date of grant	5 years
Total Share Options granted	83,473,600		

(ii) The table below discloses movement of the Company's Share Options held by the Group's director and employees under the Share Option Scheme:

	Number of share options		
	Director	Employees (Continuous Contracts)	Total
Outstanding at 1 January 2022	335,400	83,138,200	83,473,600
Forfeited during the period	–	(1,878,200)	(1,878,200)
Outstanding at 30 June 2022	335,400	81,260,000	81,595,400

(iii) The fair value of services received in return for Share Options granted is based on the fair value of the Share Options granted, measured using the binomial lattice model.

MESSAGES FROM THE BOARD OF DIRECTORS

PREFACE

We hereby 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 2022.

The year 2022 marks the convening of the 20th National Congress of the Communist Party of China and a new journey of socialist modernization with Chinese characteristics. Currently, due to the international situation and the frequent outbreaks of the pandemic, coupled with the dual challenges of disruptions in the supply side and the weakening market demand in the Chinese automobile industry, the Group faced challenges from business difficulties and unfavorable industry development in the first half of 2022 inflicted by decline in the production and sales volume of the automobile industry, continued high prices of raw materials, shortage of car chip and related components. In particular, the business output of major customers and the commercial vehicles assembly division experienced a significant decline, which in turn affected the business output and sales volume of the Group's main business segments and brought significant risks to the Group's operation performance.

During the period, Wuling Motors team proactively responded to risks and challenges, and took decisive measures in different business areas. For sales, we made great efforts to encourage market expansion. For procurement, we carried out close cooperation with suppliers to improve the supply chain, increased effective communication, and ensured that production materials and components could be supplied steadily and with quality guarantee. For internal management, we insisted on the operation model defined by business divisions, continued to optimize business process, improved operation and management efficiency, in achieving the targets of cost reduction and effectiveness enhancement, laying a solid foundation for furthering improvement in operating efficiency. Wuling Motors team performed our designated duties with solid attitude, so as to minimize the risks caused by external factors under the extremely challenging business environment. Meanwhile, adhering to our corporate principles of "Entrepreneurship and Persistence", we prudently implemented various new business development plans and corporate reorganization plans, and strived to make breakthroughs in the industry development, so as to formulate a layout, as well as providing the impetus for furthering the sustainable development of our core businesses including automotive components, vehicles' power supply systems and commercial vehicles assembly (including new energy vehicles), for making contributions to and enjoying the benefits from the long-term development of the Chinese automobile industry.

As the Chinese automobile market was still in its recovery period after stage of consolidation, together with the above mentioned unfavorable factors, total revenue of the Group for the six months ended 30 June 2022 was RMB6,274,686,000, representing a decrease of 12.4% as compared to the corresponding period in 2021, in which each business division experienced different extent of decline in revenue.

Gross profit for the period under review was RMB372,333,000, representing a significant decrease of 24.5% as compared to the corresponding period in 2021. Apart from the increased price of materials such as batteries, decrease in gross profit was also attributable to the direct effect of the decrease in the Group's revenue mentioned above as affected by the unfavorable factors such as the continuous tightening supply of semiconductor and the sporadic outbreak of the COVID-19 in certain regions in China during the period. In light of various unfavorable factors, gross profit margin of the Group for the first half of 2022 was 5.9%, representing a decrease of approximately 100 basis points as compared to 6.9% for the corresponding period in 2021.

Meanwhile, the Group's profitability performance during the period was also adversely affected by the increase in research and development expenses as a result of the implementation of new business plans for new energy vehicles and related components. For the first half of 2022, the Group reported a net loss of RMB138,587,000, which was significantly increased as compared to the net loss of RMB45,226,000 for the corresponding period in 2021, and the loss attributable to the owners of the Company also significantly increased to RMB80,545,000 as compared to RMB21,015,000 for the corresponding period in 2021.

REVIEW OF MAJOR WORKS IN THE FIRST HALF OF 2022

(I) Focusing on foundation consolidation to promote sustainable development of the main businesses and sticking to the "main battlefield"

1. Expansion of customers for the components business in seeking new pattern

Due to the impact of the COVID-19, a number of the important bases of the automobile enterprises located in Shanghai and other places in China have completely or partially suspended production since the beginning of the second quarter of 2022. Failure to resume work shortly afterwards had caused a large blow on the whole automotive industry and industrial chain. During the period, the Group adopted responsive policies for the automotive components business by making great efforts to stabilize the supply chain system, while actively expanding the market under the difficult situation, so as to seek new impetus for the development of the Group. For our main customer, SGMW, while aiming at maintaining our supplying portion to their market, we also actively undertook the components business from their new models. For other customers, we actively optimized the customer structure in seeking opportunities, expanding and enlarging external markets such as Great Wall Motor, Foton, Chery and Dongfeng Sokon, with emphasis on mid-to-high-end models, promoting product upgrade and supporting breakthrough, targeting at developing new growth drivers of our businesses. Currently, the Group has invested and built a new production base in Jingmen, Hubei for implementing an in-depth cooperation with

Great Wall Motor. At the same time, the Group's automotive components business division has also successfully undertaken new products such as the front and rear axles for Chery Automobile and SAIC Maxus. Active negotiations of new businesses with other target customers are also ongoing, so as to provide new growth momentum for the Group's automotive components business. In the first half of 2022, the automotive components and other industrial services division achieved sales revenue of RMB2,849,638,000, representing a decrease of 6.7% calculated on a year-on-year basis as compared to the corresponding period in 2021. In which, business from the external market performed better and was able to maintain moderate growth during the period.

2. ***Technological breakthrough for mass production of new products of the vehicles' power supply system business***

During the period, the business of the vehicles' power supply system division experienced a slow down as it was affected by various unfavorable factors such as the shortage of vehicles assembly components of customers which resulted in frequent changes in production plans of customers. The operation pressure from such business situation was particularly severe having considered the vehicles' power supply system division was going through the stage of transformation and upgrading. However, with years of experience in the ups and downs of the automobile industry, the division continued to consolidate the foundation, reinforce the internal strength, and firmly promote the management policies of technological upgrading, research and development of new products and expansion of new markets during this transitional period. For product R&D and technical transformation of the vehicle assembly project by applying the conjunctional use of the high thermal efficiency engine and hybrid power system assembly unit, the high thermal efficiency Atkinson engines officially achieved mass production in April this year. Shortly afterwards, the HEV hybrid engines featuring high efficiency and cost effectiveness performance also officially achieved mass production in June. These developments indeed marked a major breakthrough under the product upgrade plan of this division, where an important progress in the transformation and upgrading from traditional fuel vehicle power to new energy vehicle hybrid power is thereby accomplished. Meanwhile, the 1.6L engine of our vehicles' power supply system division has been put into mass production in Dongfeng KAMA market, and the vehicle manufactured by JAC equipped with our 2.0T engine has also been supplied in batches to market. For existing product business, the mainstream product 1.8L engine achieved an increase in supply volume to our main customer, SGMW. A total number of 49,000 engines was sold in the first half of 2022, representing a significant increase during the period. As for the external market, market demand from external customers was lacklustre during the period due to the unfavorable factors of the pandemic and the shortage of semiconductor, in which sales of 60,000 engines was recorded in the first half of 2022, with main customers including SAIC Maxus, Dongfeng Motor and Changan Automobile. In the first half of 2022, the vehicles' power supply system division achieved sales revenue of RMB1,307,844,000, representing a decrease of 10.0% calculated on a year-on-year basis as compared to the corresponding period in 2021.

3. *Commercial vehicles assembly business penetrates into new frontiers building on the market demand*

In the first half of 2022, declining market volume resulting from the unfavourable factors including the implementation of pandemic prevention and control measures, shortage of raw materials and closed control of the scenic areas and other public areas, has adversely affected the business performance of the commercial vehicles assembly division. However, Wuling Motors has developed long-term objectives for the commercial vehicles assembly division, and has adopted appropriate response strategies against the operational risks and challenges faced by the industry. In view of the Group's restructuring plan to be implemented during the year for the new energy vehicle as below mentioned, corresponding strategic adjustments have been made to the commercial vehicles assembly division. During the period, besides new energy vehicles, the commercial vehicles assembly division continued to deepen the development in the market segment of its main products, being the refitted vehicles and off-road vehicles, and increased our business sales by strengthening market expansion. The conventional refitted vehicles business continued to launch new products to enrich our product offerings and enhance our competitiveness. Products such as wing open vehicles, lightweight containers, barreled garbage trucks and recreational vehicles have continuously been launched to the market during the period. In the first half of 2022, the sales volume of conventional refitted vehicles was 28,519 vehicles, maintaining our position as one of the leading suppliers in the mini-cargo refitted vehicles market segment. At the same time, the off-road vehicles business has also actively increased our marketing efforts, optimized our internal and external sales channels pinpointing the main targeted market, and strengthened promotion programmes. During the period, the sales volume was 1,974 vehicles, representing a moderate increase on a year-on-year basis despite a sluggish sentiment in domestic market demand, in which sale volume of 113 vehicles was attributable to the international market. In addition, the commercial vehicles assembly division has also actively developed the special purpose vehicles market, by continuously launching special purpose vehicles such as refrigerator vehicle, police car and fire truck, where sales volume in the first half of 2022 reached 662 vehicles. In the first half of 2022, the commercial vehicles assembly division achieved sales revenue of RMB2,085,759,000 (including new energy vehicles), representing a decrease of 20.0% calculated on a year-on-year basis as compared to the corresponding period in 2021.

(II) Taking innovation as the lead to focus on emerging businesses and make continuous efforts to ignite the "new engine"

1. Focusing on product technology upgrade and seizing new energy development opportunities

The new energy vehicle industry is one of the strategic emerging industries in Guangxi. The Group attaches great importance to the new energy vehicle market segment, seeking opportunities proactively. Relying on the practical advantages of innovation and development acquired in the specialized vehicles business for many years, the Group accelerated the development of new energy logistics vehicle series on a new platform in the past two years. We have built more than 130 marketing outlets, covering 30 provinces/municipalities in China. The products have been in the forefront of the domestic market segment since they were launched, with sales volumes being doubled and our footprint successfully extended to overseas markets, such as Europe, Africa, Southeast Asia and North America.

In order to accelerate the expansion of the Group's new energy vehicle industry and embrace the great opportunities in the new energy vehicle market segment, the Company entered into the Capital Increase Agreement with Guangxi Automobile Holdings Limited ("Guangxi Automobile", our parent company), Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial", our principal subsidiary) and Liuzhou Wuling New Energy Motors Company Limited ("Wuling New Energy", a wholly owned subsidiary of Guangxi Automobile), pursuant to which, among others, the Company conditionally agreed to contribute to Wuling New Energy RMB305.6 million in cash and Wuling Industrial conditionally agreed to contribute to Wuling New Energy RMB300 million by way of (i) transfer of certain assets and equipment pertaining to the New Energy Business valued at RMB84,866,478.39; and (ii) cash in the sum of RMB215,133,521.61, part of which shall be applied by Wuling New Energy for the assignment of the Patent and purchase of Inventory and Toolings from Wuling Industrial (the "Capital Increase and Restructuring"). The purpose of the Capital Increase and Restructuring is to utilize Wuling New Energy as an independent platform to integrate and restructure our new energy vehicle-related assets and businesses, and create a new energy vehicle business segment based on the existing main business of commercial vehicles (these businesses are currently mainly undertaken by Wuling Industrial) to rapidly increase production capacity and technical equipment, and comprehensively explore and develop new energy vehicle business.

After completion, Wuling New Energy will use the completed new production base built by Guangxi Automobile located in the Liudong district in Liuzhou for operating the new energy vehicle business. This production base, which occupies a site area of approximately 550,000 square meters, is constructed with the state-of-the-art technology in the automobile industry in the PRC and installed with the advance automated production lines which perform the requisite welding, painting and final assembly processes for the production of new energy vehicles. In response to the tremendous business opportunity and technological breakthroughs associated with the 14th Five-Year Plan, this production base aims at the advance level of industry standard in automation, flexibility, energy saving and intelligentization in order to achieve high level of environmental protection and production intelligence in our production of new energy vehicles.

According to the parties of the agreement, upon completion of the Capital Increase and Restructuring, Wuling New Energy will focus on the business activities relating to trading and manufacturing of new energy vehicles, whereas, Wuling Industrial will serve as its strategic key supplier by supplying automotive components and parts to Wuling New Energy for its production of new energy vehicles. The Company considers that the continuous expansion in the production of new energy vehicles of Wuling New Energy following completion of the Capital Increase and Restructuring would provide increasing business opportunities to the automotive components and other industrial services division of Wuling Industrial from which the benefits of scale operation and further business diversification would gradually be crystalized.

Besides, the Capital Increase and Restructuring would also provide an opportunity to Wuling Industrial for further streamlining its operation processes which would allow Wuling Industrial to dispose of certain assets at a profit and to enhance its internal management optimization and efficiency which would be beneficial to the profitability performance of the Group.

The Capital Increase and Restructuring was approved by the independent shareholders on 29 June 2022 and is currently in progress as planned.

Meanwhile, the new energy vehicle business maintained strong growth during the period. Following the sales volume for the first year of market launch in 2020 of approximately 4,700 vehicles and the total sales volume in 2021 exceeding 10,000 vehicles, with the rapid increase in the number of self-developed pure electric logistic vehicles, in the first half of 2022, the Group achieved a sale volume of 7,869 vehicles for the domestic market, representing an increase of 57% calculated on a year-on-year basis. In regard to the expansion to international market, the new energy light logistic vehicles developed by the Group have successfully entered the two world leading automobile markets of the United States and Japan. G105 new energy light trucks, a model originated from the Group's existing platform products and optimally designed and developed in accordance with American standards, have been delivered and sold in the United States during the period, enabling us to become the first automobile enterprise in China to export new energy light trucks of the same type to the United States. On the other hand, G050 electric logistic vehicles, which was funded by the Japanese customer for development and targeting the Japan and other markets, was also well recognized by customers. Its prototype vehicle has become an Internet celebrity even though mass production has not yet been commenced.

With the completion and production of the above new production base for new energy vehicles, the production of the Group's new energy vehicle will be featured with intelligent manufacturing, informatization and environmental protection, allowing us to become an enterprise reaching the advanced level of commercial vehicles domestically. Moreover, automotive components actively developed by the Group for supplying to the new energy vehicle segment, including various types of new energy electric rear axles, motors, electronic controllers, hybrid power systems and other products, are also expected to be benefited directly.

(III) Leveraging reform to seek breakthroughs based on efficiency improvement and form "compound measures"

1. Continuing to promote fine management and improve the efficiency of capital turnover

The Group continued to promote fine management, make efforts to improve quality, cut costs and enhance efficiency, broaden the scope of implementation to promote "Three Containments" in our subsidiaries. While non-performing receivables and inventories, low and lack of value in use fixed assets were being disposed of or dealt with, for further improving the operation efficiency of the Group's assets, monitoring measures were also adopted to continuously tracking the subsidiaries' control in mitigating the working capital use on the inventories and accounts receivable as well as to reduce the gearing ratio.

The Group has implemented stringent control on spending and expenditures in view of the severe market situation and the actual operations based on a hardheaded standard. On one hand, we strictly controlled the cost budget and operation investment internally by conducting in-depth analysis of the annual investment capability of the Group and our subsidiaries to ensure the funds were applied in the most appropriate areas. On the other hand, we maintained finance reserves by actively communicating with various banks on available loan credit and interest cost aiming at reducing the finance cost of the Group through making use of various bank related borrowings, discounting and deposit strategies.

2. ***Making in-depth analysis to develop strategies and strengthening loss management capabilities***

The Group attached great importance to loss reduction and risk prevention. Based on the practical experience from loss reduction and turnaround projects in recent years, we further organized a comprehensive review system to continuously refine the measures of "One enterprise, One policy", whereby responsibilities at various levels would be clearly delegated to strengthen the effectiveness of loss management. We formulated annual loss reduction target as well as loss reduction strategies and plans for each loss-making enterprise, timely followed up the progress of loss management of each enterprise on a monthly basis, and supervised the implementation in practices, aiming at improving the assets quality and enhancing the operating efficiency of these enterprises.

(IV) Giving full play to the leadership role of the Communist Party of China (the "Party", or "CPC") under the guidance of politics and focusing on the "main themes"

The Group unswervingly strengthens the Party's "Six Major Constructions", gradually promotes the construction of "Five Basics and Three Modernizations", and facilitates the construction of a clean and honest enterprise with hard work to enhance the leadership of party building, the cohesiveness and practical ability of party organizations, and transform the leadership of party building into the driving force for enterprise development in an effective manner. First, the Group pledges to unswervingly promoting the Party's political construction, following up and studying the spirit of General Secretary Xi Jinping's important speeches and instructions in a timely manner. In this regard, special-themed training sessions, i.e., "Assuming Missions and Responsibilities and Ushering in the 20th CPC National Congress — the First Anniversary of General Secretary Xi Jinping's Important Speech during Guangxi Inspection Tour", are organised to promote the party organizations at all levels to ensure all the party members to have a better understanding of the decisive significance of "Two Establishments" and to achieve "Two Maintenances". Second, we carry our further strengthening policies on the overall leadership of the Party, aiming at continuously promoting the requirements of party building to be written into the Articles of Association of the Group's enterprises, refining the list of major business management matters subject to the preliminary study and discussion by the party organization in a dynamic manner, and integrating them with our corporate business development. Third, we strictly adhere to the principle of entity responsibility through the promotion of a comprehensive and strict party governance, and by holding meetings to study and deploy work and formulating annual work priorities, unswervingly promoting integrity and discipline, comprehensively enhancing the strict compliance of party governance, and vigorously promoting the construction of a clean and honest enterprise.

MAIN WORK IDEAS FOR THE SECOND HALF OF 2022

The Group will continue to implement the decisions on high quality development and arrangements of the Party Committee and the government of the autonomous region, adhere to the general keynote of "seeking progress while maintaining stability, obtaining certain results while making progress and promoting high-quality development", focus on the overall goal of "Two Highers", implement various measures to stabilize the growth of the enterprise, while tapping the potential internally and deepening the work of reducing costs and enhancing efficiency. Striving to overcome difficulties and maintaining same goals and tasks, the Group will proactively promote the high-quality development of the enterprise and pay tribute to the 20th CPC National Congress with excellent results.

The Group will focus on the following work in the second half of 2022:

1. **Expanding principal businesses in the market and going all out to achieve goals**

   In the second half of 2022, the Group will strive to develop our principal businesses, make further efforts to tap business potential, and go all out to improve operating efficiency and ensure the achievement of our annual operating goals. In terms of our automotive components business, the Group will accelerate the intelligent upgrading and transformation of traditional advantageous modules, such as chassis and welding, further expand external customer markets, including Great Wall Motor, SAIC MAXUS, etc, while stabilizing the market of our major customer, i.e., SGMW, in order to improve business volume and optimize customer structure gradually. In terms of our commercial vehicles assembly business, based on the current stable market share of the refitted vehicles, the Group will further expand the logistics vehicles, off-road vehicles and other products for increasing business volume. In terms of our vehicles' power supply systems business, the Group will take engine market with hybrid power and high thermal efficiency as an entry point to quickly seize market share, and increase the use of HEV hybrid and high thermal efficiency engines in the core markets to make a breakthrough in the sale of new products.

2. **Deepening and innovating power system upgrades and developing new core products**

   Riding the huge development opportunities arising from the new energy industry market, the Group will continue to increase investment in research and development, diversify product lines, and enhance brand influence, thereby improving the sales of our products of new energy power systems, parts and components, and commercial vehicles assembly. Meanwhile, the Group will continue to increase investment in research and development, enhance the impetus of technological innovation, and accelerate the transformation of technological research results. In line with the rapid development of the industry, the Group will also accelerate product transformation and upgrading, allowing products to develop towards lightweight, electrification and intelligence, continue to promote the digitalized research and development and manufacturing of chassis and body parts, and launch to the market high-end parts and components with high technology and core competitiveness, enabling the Group to expand into the field of automotive components for high-end passenger car.

3. **Consolidating refined management to improve quality, increase efficiency and reduce costs**

The Group will continue to implement the "Three Containments" work, strengthen overall budget management, refine cost control, and delegating cost control responsibilities to different regions and personnel. At the same time, the Group will take appropriate integration measures for business segment resources and optimize the labor cost management system. In addition, we would strengthen internal management, optimize suppliers, manufacturing and other systems, formulate reasonable measures and goals to reduce costs and enhance efficiency, reduce raw material procurement and production costs, and seek for higher profit margin. Further, the Group will continue to intensify the governance over loss-making enterprises by establishing and implementing a tailor-made strategy for each enterprise in this regard, strengthening the risk management and control over funds and accounts receivables, and paying attention to and controlling various business risks to the greatest extent.

4. **Comprehensively deepening the reform of state-owned enterprises to promote high-quality development**

The Group will continue to implement enterprise reforms, push forward the three-year action for the reform of state-owned enterprises, deepen reforms and strengthen management, with a business objective to be in alignment with world-class enterprises. In addition, we would continue to collaborate with international well-known enterprises such as Faurecia and American Axle & Manufacturing to strengthen and expand joint venture business, thus promoting the transformation and upgrading of products to the parts and components business of the high-end market. At the same time, the modern corporate management system and corporate governance structure will be further improved to solidify incentive mechanism, enhance vitality, and make the Group resilient to the changing business environment.

With meticulous planning and hard work, the management believes that the long-term business potential of the Group in the PRC automobile industry will continue to be strengthened. With the unremitting support of Guangxi Automobile, our ultimate controlling shareholder and joint venture partner, along with our customers, we are confident that the Group will have a bright business prospect and bring returns to shareholders in the future.

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) vehicles' power supply systems; (2) automotive components and other industrial services; and (3) commercial vehicles assembly for the first half of 2022 are detailed below:

Vehicles' Power Supply Systems

Total revenue (based on external sales) of the vehicles' power supply systems division for the six months ended 30 June 2022 was RMB1,307,844,000, representing a decrease of 10.0% as compared to the corresponding period in 2021, which was mainly due to a decrease in the business volume from the external customers (other than SGMW) as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC.

Total number of engines sold by the subsidiaries, primarily Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the first half of 2022 was approximately 109,000 units, representing a slight increase of approximately 3.9% as compared to the corresponding period in 2021 which amounted to 105,000 units. Despite a slight increase in the sale volume, sale revenue registered a decrease due to the lower selling prices of the engines under the tough business environment during the period.

During the period, sales to SGMW, our core customer, amounted to approximately RMB710,543,000, representing an increase of approximately 25% as compared to the corresponding period in 2021 which was primarily due to the increase in sale of the NP18 model to SGMW for their Capacity 1.8L vehicle models, which amounted to approximately 49,000 units as compared to approximately 34,000 units achieved in the corresponding period in 2021.

Meanwhile, sales to other customers, some of them with the production facilities located in the regions experiencing certain sporadic outbreak of Covid-19 during the period, were adversely affected due to stoppages and disruptions in production. Total sales to the external customers, primarily attributable to the engine sets with capacity range from 1.0L to 1.6L, decreased by approximately 32.4% to RMB597,301,000 for the period, which accounted for approximately 46% of the total revenue of this division.

Apart from the decline in the business volume as abovementioned, the division business performance continued to be affected by the prevailing high production cost during the period, as a result, an operating loss of RMB63,013,000 was recorded by the division, representing a further increase of 55.5% as compared to the corresponding period in 2021. As a special remark, in the transitory stage of transformation from a traditional fuel engine manufacturer to a multi-dimensional vehicles' power system supplier extending to the business segment of different types of new energy vehicle, inevitably, the vehicles' power supply systems division had to experience certain tough period in which the profitability of the division would be severely affected.

As a long standing industry leader in the manufacturing of engines for the various types of vehicles, Wuling Liuji continues to supply products to SGMW and other automobile manufacturers. 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 division 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 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 as well as the new energy vehicles segment. In addition to the upgrading projects which are implemented for the regulatory compliance policies, enhancement projects for the existing models and the new models are also formulated aiming at expanding our customer bases in the commercial and passenger vehicles segment. Following the scale operation of the newly-developed high thermal efficiency Atkinson engines of the division during the period, the market position of Wuling Liuji has been further strengthened 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.

Meanwhile, to kick start the business development in the segment of new energy vehicles, the division put the primary focus on the business development and production of the electric motor control system and related components for new energy vehicles, as well as the power supply solutions for the hybrid model vehicles.

In this regard, Wuling Liuji LJP60 high-efficiency and cost-effective HEV hybrid assembly units has commenced scale operation in June 2022. The launch of the HEV hybrid assembly units marked the successful breakthrough of the division from a traditional fuel engine manufacturer to a multi-dimensional vehicles' power system supplier extending to the business segment of different types of new energy vehicle. Through the construction of the core development capabilities of the two electric motors (motors and motor controllers), the division has laid out a comprehensive plan for power integration products which covers the platform of HEV, PHEV, REEV, and BEV technical routes, from which advanced, efficient, and fuel-efficient hybrid drive system products would be developed in accordance with the needs of the automobile manufacturers. As compared with traditional fuel engine vehicles with same level of capacity, based on initial study, fuel consumption of the division's HEV hybrid solution could have a saving of more than 30%.

The market launch of the division's HEV hybrid solution has also enable the Group to be recognized as the first supplier in the Guangxi region having the hybrid power integration capabilities empowered by its the three main components' production and technical capability, i.e., engine, electric motor, and motor controller system. Indeed, the division inaugurated the launch of its HEV hybrid solution with an encouraging reception from the market. Currently, a number of 12 models of vehicle from different automobile manufacturers inside and outside the Guangxi region are under development and collaboration of electrification, upstream and downstream linkage, scientific and technological innovation and development between the parties aiming at launching suitable hybrid power vehicles to the market.

Driven by the business opportunities from the development trend of the "New Four Modernization" in the automotive industry, coupled with the long standing business position in the vehicle's engines segment, the Group is confident that the profitability of the vehicles' power supply systems division would be resumed in the near future.

Going forward, the division 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 (including new energy 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 the division, 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 2022 was RMB2,849,638,000, representing a moderate decrease of 6.7% as compared to the corresponding period in 2021, which was mainly due to a decrease in the business volume as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC.

Meanwhile, resulting from an increase in the research and development expenses incurred for the implementation of new business projects relating to the automotive components of the new energy vehicles, profitability performance of the division was adversely affected during the period, from which an operating loss of RMB12,327,000 was recorded as compared to the operating profit of RMB12,424,000 as reported in the corresponding period in 2021.

The automotive components and other industrial services division, undertaken by our subsidiary, Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW, including their EV models. During the period, sales to SGMW through the Group or our associated companies, comprised the range of products including the brake and the chassis assembly components, car axles, body parts, interior and exterior trims such as, seat sets, cockpits, bumpers, etc, experienced a mild decrease, but continued to contribute to a significant portion of the revenue of the division and the associated companies. For further expansion and diversification, the division continued to undertake various business expansion programmes in promoting its components to other customers such as Great Wall Motors, Beiqi Foton Motors, Chery Automobile, Dongfeng Sokon, etc, which were progressing satisfactorily during the period and were able to register a mild increase as compared to the corresponding period in 2021. For the first half of 2022, sales to other customers accounted for approximately 32.6% of the total revenue of the division.

With our long and established industry experiences, the automotive components and other industrial services division of the Group is particularly strong in product design and development. Our 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 customers can be properly taken care of. For further expansion of the business volume and the improvement of profitability, the component products of the division had shifted our focus to the commercial and passenger vehicles segment, which covered primarily the MPV and SUV segments, pickup trucks as well as the new energy vehicles.

Meanwhile, as explained above, through continuous efforts of market diversification, the division actively made unremitting efforts in optimizing our product and customer structure, strived to expand the external market other than SGMW by covering the business potential arising from other external customers. The initial responses from these diversification projects, including Great Wall Motor's frame supply project, Beiqi Foton Motor's rear axle project and Chongqing Ruichi's electric rear axle project were all encouraging. On the back of our technical capability and the upcoming market trend, special focus is being placed on the new energy sector. Since the second half of 2020, the division have developed and launched production of electric drive axles for mini-commercial vehicles, light commercial vehicles and passenger vehicles, which have been recognized by our major customer SGMW and other automobile manufacturers.

Over the past few years, the Group has taken strategic steps in the PRC to transform from a single production point operation in Liuzhou into an interprovincial production group with facilities in Guangxi, Shandong, Chongqing and Hubei, 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.

To cope with the existing and the future business opportunities, the Group had continuously undertaken capacity expansion and upgrading programmes across its main production bases in the Liuzhou region, which are located in the Liudong district and the Hexi Industrial Park, as well as the other two main production bases located in Qingdao and Chongqing, all of them having the advantage of close proximity to the respective production bases of SGMW. Following the completion of the large scale expansion and revamping programmes in the last few years, the division is now equipped with a combined annual production management capacity in excess of 2 million sets/units of automotive components, which enables us to target for the business opportunities from all sizable automobile manufacturers.

To further extending its products and services to other customers, the Group has also recently set up production facilities in Jingmen, in the Hubei province. The production facilities in Jingmen which will start operational in the second half of 2022 is primarily set up for supplying automotive components to Great Wall Motors.

The division is also committed to promptly congregating the new momentum driven by new industries, new formats and new models to support and spearhead our business goal of high quality development. In terms of automation applications, the division has completed the majority portion of its key production bases with the construction of more than 100 automatic production lines and the installation of nearly 1,000 industrial robots. As for application of intelligence computerization, the division has achieved comprehensive flexibility methodology in our production lines. As a result, both production efficiency and on-site response had been impressively improved.

Despite the prevailing COVID-19 issue, the Group's overseas production plants in Indonesia and India were able to deliver sets of satisfactory results during the first half of 2022. Benefited from the growing demands locally, the production plant in Indonesia, which comprises a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles continued to generate a profitable result in the first half of 2022. The Group is optimistic that being the fourth largest population country in the world and in consideration of its recent economic development, 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 benefit from this positive business environment.

Meanwhile, the production plant of the Group in India, which has a smaller scale of operation and targeted for the automotive component business of a renowned PRC car manufacturer continued to maintain its profitability in the first half of 2022.

Going forward, the Group considers the competitive strength of SGMW, its key customer in the market, its successful models and the launch of new models, and the implementation of the appropriate strategic and business programmes for other customers, will continue to provide strong supports to the operation of the automotive components and other industrial services division in the years onwards.

Commercial Vehicles Assembly

Total revenue (based on external sales) of the commercial vehicles assembly division undertaken by Wuling Industrial for the six months ended 30 June 2022 was RMB2,085,759,000, representing a significant decrease of nearly 20% as compared to the corresponding period in 2021.

During the period, business volume of the commercial vehicles assembly division has been adversely affected by the unfavourable factors including the epidemic prevention and control measures adopted in China, shortage in supply of the semiconductor and battery as well as the periodic closure and control measures of the scenic spots, from which the sale volume of refitted vehicles and non-road vehicles were the most heavily affected, both of them experienced different extent of decline in sales.

In the first half of 2022, Wuling Industrial sold approximately 39,000 different models of vehicles, representing a significant decrease of 34.6% as compared to the sale volume of 59,600 as reported in the corresponding period in 2021. Amongst which, the sale volume of refitted vehicles and other types of vehicles (primarily sightseeing vehicles) decreased to approximately 31,000 vehicles, whereas, the sale volume of electric logistic vehicles maintained its growth momentum and increased to approximately 7,900 vehicles as compared to the 4,100 electric logistic vehicles sold in the corresponding period in 2021.

Significant decline in the business volume and higher cost of production, primarily due to the rising cost of battery, drove down the profit margin. As a result, the division recorded an operating loss of RMB36,160,000 during the period as compared to the operating profits of RMB12,525,000 as reported in the corresponding period in 2021.

The commercial vehicles assembly division operates comprehensive car assembly lines which cover the production processes of welding, painting and assembly. The division has capability to produce various types of specially designed vehicles which serves the different needs of market, such as sightseeing bus, golf cart, container wagon, refrigerator vehicle, police car, fire truck and electric logistic vehicle, 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 commercial vehicles assembly division 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 a benchmark of quality products and services in the market in itself. Besides, 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 vehicles, electric sightseeing buses and other electric vehicles, 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 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 recent years in which initial responses are satisfactory and encouraging.

Over the years, the Group had unremittingly developed new models of vehicles for commercial use with improved quality and added features in response to market demands and enhanced regulatory standards, such as the hot-selling side-open container wagon (stall car), electric logistic vehicle and the refrigerated truck. The Group is confident that the launches of these new models will be beneficial to the business performance of the division. Currently, production facilities of the commercial vehicles assembly division of the Group are situated in Liuzhou, Qingdao and Chongqing. Taking the advantage of having an existing operation in Chongqing, the Group has completed the construction of a production plant for the assembly of commercial vehicles in the production facilities in Chongqing, which will not only expand the capacity of the commercial vehicles assembly division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness.

The Group remains confident in the business prospect of the commercial vehicles assembly division and consider the sales decrease situation is transitory, partly due to shortage in supply of semiconductor and battery which affected its production volume and cost of production, and more importantly due to additional research and development costs incurred in the investment stage of the transformation processes of the division moving towards the high potential new energy vehicle era.

Indeed, the division have made significant breakthroughs in the new energy vehicle market segment, in which an aggregate sale volume of over 20,000 electric logistic vehicles had been sold since its launch in 2020. Furthermore, it has gradually built up a nationwide distribution network across the country with over 130 dealerships. More remarkably, the division has also extended its products to overseas markets including Japan and the United States, which are renowned as the leaders in the global automobile industry. Sale volume of these orders are expected to be gradually increased in 2022.

The Group has actively formulated appropriate strategies to expedite the business development in the new energy vehicle. As reported earlier, our parent company, Guangxi Automobile Holdings Limited ("Guangxi Automobile"), has completed the construction of a new production base for the new energy vehicle in Liuzhou with a targeted annual production capacity of 200,000 vehicles, which could serve as a strategic back up to the Group in grasping the future business potential from the new energy vehicle business segment. This new production base which covers a site area of about 550,000 square meters, is constructed with the state-of-the-art technology in the automobile industry in the PRC and installed with the advance automated production lines which perform the requisite welding, painting and final assembly processes for the production of new energy vehicles.

In order to accelerate the expansion of the Group's new energy vehicle business in meeting the increasing business opportunities arisen from the new energy vehicle market segment, on 31 March 2022, the Company entered into a capital increase agreement with Guangxi Automobile, Wuling Industrial and Liuzhou Wuling New Energy Motors Company Limited ("Wuling New Energy"), a wholly — owned subsidiary of Guangxi Automobile, pursuant to which, the Company conditionally agreed to make a cash contribution of RMB305,600,000 to Wuling New Energy and Wuling Industrial conditionally agreed to make a capital contribution of RMB300,000,000 to Wuling New Energy by way of (i) the injection of certain related assets and equipment currently engaged in the new energy business at value of RMB84,866,478.39; and (ii) cash contribution of RMB215,133,521.61 (part of which will be utilized by Wuling New Energy in acquiring the patent packages and certain inventory and tooling molds from Wuling Industrial (the "Capital Increase and Restructure").

The Group, including the Company and Wuling Industrial and Guangxi Automobile planned to use Wuling New Energy as a platform to integrate and reorganize the new energy vehicle related assets and businesses focusing on the research and development, manufacture and sale of new energy vehicles, including the highly competitive electric vehicles, plug-in hybrid new energy vehicles and other new energy smart travel products. Completion of the Capital Increase and Restructure will enable the Group, including the Company and Wuling Industrial and Guangxi Automobile, to have an advance and sizable production facilities for implementing the business strategies and programmes arising from the new energy vehicles segment. It is also planned that Wuling Industrial and its subsidiaries will be the strategic key suppliers to Wuling New Energy following its commencement of operations by supplying automotive components and parts for its production of new energy vehicles.

The Group believes that the Capital Increase and Restructure will not only provide a solid foundation to Wuling New Energy for implementing future business projects in the new energy vehicles segment, but also provide Wuling Industrial with the opportunity to further streamline its existing operation in the commercial vehicles assembly division which will be conducive to business performance of the division in future.

The Capital Increase and Restructure was approved by the independent shareholders of the Company on 29 June 2022 and is now proceeding as planned.

The Group would strive to maintain a prominent market share of our existing popular models, and at the same time, explore the opportunity for future growth potential to further improving the profitability of the commercial vehicles assembly division, through implementation of active business strategies in promoting new models, including different models of refitted vehicles, non-road vehicles and special purpose vehicles on the back of the favourable government policy and the specific needs in the market. The Group considers vertical integration of the key automotive components in its commercial vehicles assembly business will provide a solid back up and enhance our competitive strength in the industry.

Going forward, the commercial vehicles assembly division will continue to undertake research and development projects for new product, technical and capability improvement with the support from the other divisions, namely the vehicles' power supply systems division and the automotive components and other industrial services division. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment in view of our long standing competitive strength in the industry.

Performance of Joint Ventures and Associates

Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang"), which is owned as to 50% by Wuling Industrial and formed with Guangxi Liugong Machinery Company Limited for developing and pursuing the businesses of engineering machinery and other industrial vehicles products maintained its profitability during the period by registering a total revenue of RMB312,666,000 for the first half of 2022, representing a year-on-year decrease of 11.9% as compared to the corresponding period in 2021 due to a decrease in the business volume as caused by the sporadic outbreak of Covid-19 in certain regions in the PRC. Meanwhile, because of the positive impact from certain decrease in the administrative expenses, net operating profit was increased impressively by 59.9% to RMB6,252,000 (as compared to the net operating profit of RMB3,911,000 as achieved in the corresponding period in 2021), in which profit of RMB3,126,000 was attributable to the Group.

Faurecia (Liuzhou) Automobile Seating Co., Limited ("FL Seating") which is owned as to 50% each by Wuling Industrial and Faurecia Group for pursuing the business of car seat products in the PRC has entered into the fifth year of operation in 2022. The cooperation 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. During the period, the relatively weak market environment as a result of the general slowdown of the automobile industry in the PRC as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC has adversely affected the business performance of FL Seating. Though FL Seating was managed to maintain its business volume by registering a total revenue of RMB122,033,000 for the period under review, because of the above mentioned unfavorable factors, a net operating loss of RMB9,655,000 was incurred as compared to the net operating profit of RMB243,000 as achieved in the corresponding period in 2021, in which loss of RMB4,827,000 was attributable to the Group.

Faurecia (Liuzhou) Automobile Interior System Co., Limited ("FL Interior"), which is owned as to 50% each by Wuling Industrial and Faurecia Group 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 also entered the fifth year operation in 2022. 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. During the period, despite a relatively weak market environment as a result of the general slowdown of the automobile industry in the PRC as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC, FL Interior was managed to maintain its business volume by registering a total revenue of RMB172,923,000 for the period under review. Due to an improvement in the gross profit margin, a net operating profit was increased significantly to RMB10,608,000 during the period, as compared to the net operating profit of RMB2,471,000 as achieved in the corresponding period in 2021, in which profit of RMB5,304,000 was attributable to the Group.

Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("FL Emission"), which is owned as to 50% each by Wuling Industrial and Faurecia Group for pursuing the business of automotive emissions control system products and related parts and components in the PRC has entered the fourth year operation in 2022. . The cooperation 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. During the period, decrease in business volume as affected by abovementioned adverse factors had hit the business performance of FL Emission, where total revenue was reduced by 22.4% to RMB210,447,000 from which a net operating loss of RMB3,827,000 was incurred (as compared to the net operating profit of RMB1,671,000 as achieved in the corresponding period in 2021), in which loss of RMB1,913,000 was attributable to the Group.

Liuzhou AAM Automotive Transmission System Co., Ltd ("AAM JV"), which is owned as to 50% by Wuling Industrial and 50% by American Axle & Manufacturing, Inc. ("AAM International") and occupies the highly automated "Smart Factory" under the third phase development of the Liudong Facilities, for the purpose of developing and pursuing the business of the manufacturing 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 has entered into its fourth year of operation in 2022. 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. During the period, AAM JV continued to steadily expanding its operation by registering a total revenue of RMB52,612,000, representing over 90% of the total revenue for the full year in 2021. However, due to the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC from which its profitability performance has been adversely affected. During the period under review, AAM JV incurred a net operating loss of RMB12,241,000, representing a 51.1% increase as compared to the net operating loss of RMB8,102,000 as incurred in the corresponding period in 2021, in which loss of RMB6,120,000 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 2022 was RMB6,274,686,000, representing a decrease of 12.4% as compared to the corresponding period in 2021. The decrease was mainly attributable to a decrease in the business volume in the automobile industry as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC, from which all three main business segments of the Group were experiencing different extent of decrease during the period.

Gross profit for the period under review was RMB372,333,000, representing a significant decrease of 24.5% as compared to the corresponding period in 2021. Apart from the decline in the business volume, the decrease was also a result of the rising cost of production, such as battery and other components, which had driven down the profit margin especially for the vehicles' supply system and commercial vehicles assembly division. Owing to this, the gross profit margin achieved by the Group decreased to 5.9% for the period as compared to the 6.9% recorded for the corresponding period in 2021.

The pressure from a lower profit margin was further aggravated by the increases in the research and development expenses of the Group which were mainly attributable to the active implementation of new business projects (including the new energy vehicles projects) undertaken by the Group. Hence, for the first half of 2022, the Group reported a net loss of RMB138,587,000 which was significantly increased as compared to the net loss of RMB45,226,000 recorded for the corresponding period in 2021, whereas, the loss attributable to the owners of the Company also substantially increased to RMB80,545,000, as compared to the loss attributable to the owners of the Company of RMB21,015,000 for the corresponding period in 2021.

Accordingly, basic loss per share for the six months ended 30 June 2022 was RMB2.44 cents, which was significantly increased as compared to the basic loss per share of RMB0.64 cents as recorded in the corresponding period in 2021.

Other income comprised primarily bank interest income, government grants, sales of scrap materials and parts and other sundry income was in aggregate RMB85,158,000 for the six months ended 30 June 2022, representing a decrease of 7.7% as compared to the corresponding period in 2021. Increase in bank interest income during the period was offset by the decreases in income from sale of scrap materials and parts and government grants.

Other gains and losses amounted to a net aggregate loss of RMB16,432,000 for the six months ended 30 June 2022, which comprised primarily the combined results of impairment losses on assets held for sale amounting to RMB7,527,000, decrease in fair value of investment properties amounting to RMB8,275,000, gain on disposal of property, plant and equipment amounting to RMB9,177,000, gain on fair value change of financial assets/liabilities at fair value through profit or loss of RMB7,416,000 and net exchange loss of RMB14,736,000.

Share of results of associates reported a total net loss of RMB506,000 for the six months ended 30 June 2022 representing primarily the net operating losses attributable to FL Seating and FL Emission. A decrease in the business volume in the automobile industry as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of Covid-19 in certain regions in the PRC had adversely affected the business performance of FL Seating and FL Emission in the first half of 2022. Meanwhile, FL Interior was managed to deliver a set of profitable results for the period due to an improvement in its gross profit margin.

Share of results of joint ventures reported an aggregate net loss of RMB6,157,000 for the six months ended 30 June 2022, which were mainly attributable to the net operating loss of AAMJV and Liuzhou Lingte, where the business performance continued to be affected by the unfavourable market environment. Meanwhile, the business of Guangxi Weixiang continued to be solid and was able to remain profitable during the period.

Selling and distribution costs of the Group comprised primarily warranty expenses and other marketing expenses were in aggregate RMB46,837,000 for the six months ended 30 June 2022, representing a substantial decrease of 44% as compared to the corresponding period in 2021 which was mainly due to the reclassification of transportation expenses to cost of sales and services and was also in line with the decrease in business volume during the first half of 2022.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB275,028,000 for the six months ended 30 June 2022, representing a substantial decrease of 21.8% as compared to the corresponding period in 2021. The decrease was mainly attributable to a cost restructure exercise where the staff costs directly related to the research and development functions of the Group were re-designated as the Group's research and development expenses for the period. The Group considers this cost restructure exercise would help to provide the management with an appropriate performance data in facilitating the effective assessment and decision making processes of the Group. Facing the tough and highly competitive business environment, the Group also continued to implement various cost control measures in containing the general and administrative 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 2022 amounted to RMB190,987,000, representing a significant increase of 61.9% as compared to the corresponding period in 2021 partly due to the abovementioned cost restructure exercise. Besides, continuous launches of new products and the implementation of certain technological upgrade and enhancement projects by the Group and in cooperation with customers and business partners during the year aiming at taking the advantages of the tremendous business opportunities associated with new energy vehicles had also led to an increase in the research and development expenses during the period. The Group will continue to prudently carry out appropriate 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 2022 amounted to RMB62,287,000, which maintained at the same level as compared to the corresponding period in 2021. Despite an increase in the borrowing and bill discounting activities by the Group during the period, finance costs were contained at the same level due to lower interest rates.

Condensed Consolidated Statement of Financial Position

As at 30 June 2022, total assets and total liabilities of the Group stood at RMB16,710,609,000 and RMB14,000,214,000 respectively.

Non-current assets amounted to RMB4,243,069,000 comprised mainly property, plant and equipment, right-of-use assets, investment properties, right-of-use assets, interests in joint ventures and associates, etc. The total carrying values of the property, plant and equipment had taken into account of the total capital expenditure of RMB171,732,000 arising from the acquisition of property, plant and equipment, depreciation charge of RMB235,654,000 and the decrease in fair value of investment properties of RMB8,275,000 incurred for the period under review.

Current assets amounted to RMB12,467,540,000 comprised mainly inventories of RMB1,275,406,000, trade and other receivables of RMB2,208,201,000, bills receivable at fair value through other comprehensive income of RMB4,386,116,000 (inclusive of bills receivable discounted with recourse but not yet matured amounting to RMB3,392,604,000), financial assets at fair value through profit or loss amounting to RMB7,416,000, assets held for sale amounting to RMB313,490,000 pledged bank deposits of RMB880,218,000 and bank balances and cash of RMB3,388,839,000. Amount due from SGMW, a related company and a key customer in the, vehicles' power supply system and automotive components businesses of the Group amounted to RMB918,061,000 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 RMB13,794,351,000, comprised mainly trade and other payables of RMB7,506,836,000, contract liabilities of RMB182,282,000, lease liabilities of RMB61,701,000, provision for warranty of RMB86,611,000, liabilities held for sale amounting to RMB9,871,000, bank borrowings — due within one year of RMB2,551,743,000 and advances drawn on bills receivable discounted with recourse of RMB3,395,307,000. The corresponding bills receivable discounted with recourse to these advances amounting to RMB3,392,604,000 were recorded as bills receivable at fair value through other comprehensive income as at 30 June 2022, which would be offset against upon maturity.

The Group recorded net current liabilities of RMB1,326,811,000 as at 30 June 2022, which was decreased as compared to the net current liabilities of RMB1,414,495,000 as at 31 December 2021.

Non-current liabilities amounted to RMB205,863,000 comprised mainly bank borrowings of RMB117,000,000 lease liabilities of RMB55,738,000, contract liabilities of RMB8,739,000 and deferred tax liability of RMB24,386,000.

Liquidity and Capital Structure

During the six months ended 30 June 2022, 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 bills receivable 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 2022, total bank borrowings were increased by 71.2% (as compared to the total balances as at 31 December 2021) to RMB2,668,743,000. Meanwhile, the outstanding advances drawn on bills receivable discounted with recourse increased to RMB3,395,307,000. The corresponding bills receivable discounted with recourse to these advances amounting to RMB3,392,604,000 were recorded as bills receivable at fair value through other comprehensive income which would be offset against upon maturity. During the period under review, the Group discounted total bills receivables amounting to approximately RMB4,793,250,000 for providing the necessary fundings for its daily operations, in which approximately RMB660,576,000 were discounted to Guangxi Automobile.

In line with the increases in the bank borrowings and advances drawn on bills receivable discounted with recourse of the Group, the cash at bank balances (together with the pledged bank deposits) were substantially increased by 72.2% to RMB4,269,057,000 as compared to the position as at 31 December 2021. In this regard, the Group had strategically managed to strengthen the liquidity position with the optimistic view of a solid economic recovery in the second half of 2022.

Total equity attributable to the shareholders of the Company, comprised primarily the share premium, statutory reserve, contributed surplus, capital reserve, other reserves and retained profits, amounted to RMB1,816,728,000 as at 30 June 2022. Net asset value per share was approximately RMB55.1 cents as at 30 June 2022.

In view of the dynamic business environment and the risks and exposures associated with the automobile industry, the Group had been and would cautiously implement its strategic and business plans such that the financial position in terms of the net assets of the Group and attributable to the owners of the Company, the amount of net current liabilities and the gearing ratio of the Group would be sustained in a financial healthy position. The Directors consider the current financial position of the Group will enable it to withstand the risks and challenges under the current market environment.

In this regard, the Group will continue to closely monitor the liquidity and financial position of the Group, as well as the market environment (including the unprecedented adverse issues) and the financial market from time to time in order to arrive at an appropriate financial strategy for the Group.

Seasonality or Cyclicality of Interim Operations

The Group's three main business segments namely (i) vehicles' power supply systems; (ii) automotive components and other industrial services; and (iii) commercial vehicles assembly sees higher demand for their products during the second half, which is consistent with the practice of the automobile industry. The aforementioned industry practice is primarily related to exhibitions and promotion activities held during September and October which stimulates higher demand in the following months until Chinese New Year. As a result, the Group typically reports higher revenue and segment results for the second half of the year, than the first half. For the twelve months ended 30 June 2022, the three main business segments of the Group reported revenue of RMB13,490,873,000 (twelve months ended 30 June 2021: RMB16,777,471,000).

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 six months ended 30 June 2022 (six months ended 30 June 2021: 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. The late Mr. Lee Shing, former chief executive officer and executive Director has been delegated with the authorities for the overall operations and the executive responsibilities of the Group and full implementation of the directions and policies established by the Board. Following the passing away of Mr. Lee Shing on 23 January 2022, these duties were temporarily delegated to the chairman of the Board, Mr. Yuan Zhijun and the company secretary of the Company. The Board considers that accountability and independence have not been compromised during the period despite the temporary delegation of the duties and role of the Company's chief executive officer to the chairman of the Board having considered: (i) with half of the Board comprising independent non-executive Directors, the Board is of the view that there is a sufficient element of independence and adequate safeguards against a concentration of power in one single person; (ii) formal procedures are in place to ensure decisions arrived at by the Board are being made following a deliberated thought-out process so as to ensure that the decision-making process of the Group would not be unnecessarily hindered; and (iii) the corporate and business strategies based on the Group's corporate objectives, together with the associated financial and operational policies of the Company are made collectively after thorough discussion and evaluation at the level of the Board and the management. The Board is in the process of formulating the appropriate delegations and appointments, which will be subject to review and discussion by the Board and the nomination committee of the Company. Further announcements will be made by the Company in connection with the above as and when appropriate in accordance with the Listing Rules. During the six months ended 30 June 2022, save as disclosed above, 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, as amended from time to time. 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 2022.

AUDIT COMMITTEE

The Audit Committee of the Company ("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, KPMG, had carried out a review of the unaudited interim financial information of the Group for the six months ended 30 June 2022 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 2022 has also been reviewed by the Audit Committee.

PASSING AWAY OF FORMER VICE CHAIRMAN, FORMER CHIEF EXECUTIVE OFFICER AND FORMER EXECUTIVE DIRECTOR

On 24 January 2022, the Company announced with sympathy the passing away of Mr. Lee Shing, the former vice chairman of the Board, former chief executive officer and former executive director of the Company in peace due to his sickness on 23 January 2022. Mr. Lee Shing had served the Company for over 15 years. He was first appointed as an executive director and chief executive officer of the Company on 22 June 2006 and also acted as the chairman and vice-chairman of the Board during the period. Mr. Lee Shing was also member of the nomination committee and the ESG committee of the Company.

During his tenure, Mr. Lee Shing performed his duties diligently and with sincerity. He also devotedly discharged his responsibilities in safeguarding the interests of the Company and its shareholders as a whole and ensuring the effective decision-making by the Board, which had made important contributions to the development of the Group. All staff members of the Group and the Board express their deep respect and gratitude for his work and contribution; at the same time, all of the directors of the Company, all of the senior management and all of the staff members of the Group extend their deep condolences to Mr. Lee Shing for his passing away and express their deep condolences to his family.

APPOINTMENT OF DIRECTOR

Subsequent to the reporting period, on 24 August 2022, Mr. Li Zheng ("Mr. Li") was appointed as non-executive Director of the Company.

Mr. Li, aged 79, graduated from South China Normal University in 1967 majoring in Physics. Mr. Li worked in various organizations relating to the field of medical technology, including well-known university research centre, national medical engineering technology research centre focusing on promoting the improvement of medical technology in the PRC. Besides, he also worked in the science and technology development organizations, trust funds and investment organizations. Mr. Li has over 50 years' of extensive experience in physics, biomedical engineering and international finance.

Mr. Li is the elder brother of the late Mr. Lee Shing, who was former vice-chairman of the Board, former chief executive officer and former executive Director of the Company as well as the beneficiary owner of Dragon Hill Development Limited, a substantial shareholder of the Company.

Upon his appointment, Mr. Li also serves as member of each of the nomination committee, audit committee, remuneration committee and ESG committee of the Company. Further details of Mr. Li's appointment are disclosed in the Company's announcement dated 24 August 2022.

INTERIM REPORT

The interim report for the six months ended 30 June 2022 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. Yang Jianyong and Mr. Wei Mengfeng as executive Directors, Mr. Li Zheng as non-executive Director 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, 24 August 2022