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 2023

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 2023 together with the comparative figures of the corresponding period in 2022. 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 2023 — unaudited (Expressed in Renminbi Yuan ("RMB"))

		Six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
Revenue	*3*		
Goods and services		**5,075,935**	6,243,241
Rental		**13,564**	31,445
Total revenue		**5,089,499**	6,274,686
Cost of sales and services		**(4,678,910)**	(5,902,353)
Gross profit		**410,589**	372,333
Other income	*5(c)*	**96,479**	85,158
Other gains and losses	*4*	**(5,384)**	(16,432)
Selling and distribution costs		**(50,860)**	(46,837)
General and administrative expenses		**(213,534)**	(275,028)
Research and development expenses		**(124,035)**	(190,987)
Impairment (losses)/ credit under expected credit loss model, net of reversals and impairment losses		**(234)**	3,042
Share of results of associates		**(28,478)**	(506)
Share of results of joint ventures		**(3,044)**	(6,157)
Finance costs	*5(a)*	**(67,782)**	(62,287)
Profit/(loss) before taxation	*5*	**13,717**	(137,701)
Income tax expenses	*6*	**(1,457)**	(886)
Profit/(loss) for the period		**12,260**	(138,587)

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

For the six months ended 30 June 2023 — unaudited (Expressed in RMB)

		Six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the Company		**1,521**	(80,545)
Non-controlling interests		**10,739**	(58,042)
Profit/(loss) for the period		**12,260**	(138,587)
Profit/(loss) per share	*7*		
— Basic		**RMB0.05 cents**	RMB(2.44) cents
— Diluted		**RMB0.05 cents**	RMB(2.44) cents
Profit/(loss) for the period		**12,260**	(138,587)
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside Mainland China		**7,141**	5,347
Fair value gain on bills receivable at fair value through other comprehensive income ("FVTOCI")		**6,335**	14,449
Other comprehensive income for the period		**13,476**	19,796
Total comprehensive income/(expense) for the period		**25,736**	(118,791)
Attributable to:			
Owners of the Company		**12,523**	(66,399)
Non-controlling interests		**13,213**	(52,392)
		25,736	(118,791)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited (Expressed in RMB)

	NOTES	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8(c)	**2,852,142**	2,910,411
Right-of-use assets	8(b)	**253,920**	272,539
Intangible assets		**76,851**	60,942
Investment properties	8(a)	**432,230**	441,915
Interests in associates		**825,748**	854,226
Interests in joint ventures		**99,012**	102,056
Deposits paid for acquisition of property, plant and equipment		**11,513**	19,874
Equity instrument at FVTOCI		**42,765**	44,707
		4,594,181	4,706,670
CURRENT ASSETS			
Inventories		**1,114,189**	1,250,225
Trade and other receivables	9	**2,720,726**	2,481,201
Bills receivable at FVTOCI	10	**4,247,242**	4,508,147
Financial assets at fair value through profit or loss ("FVTPL")		**–**	13,661
Prepaid tax		**3,694**	2,819
Pledged bank deposits		**501,034**	608,076
Bank balances and cash		**2,590,538**	1,974,617
		11,177,423	10,838,746
CURRENT LIABILITIES			
Trade and other payables	11	**6,802,171**	6,659,530
Contract liabilities		**205,956**	147,413
Lease liabilities	8(b)	**73,751**	54,884
Provision for warranty	12	**89,968**	87,152
Bank and other borrowings	13	**571,663**	1,426,451
Advances drawn on bills receivable discounted with recourse	13	**3,462,994**	3,395,997
		11,206,503	11,771,427
NET CURRENT LIABILITIES		**(29,080)**	(932,681)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,565,101**	3,773,989

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 30 June 2023 — unaudited (Expressed in RMB)

	NOTES	**At 30 June 2023** *RMB'000*	At 31 December 2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		**7,273**	8,006
Lease liabilities	*8(b)*	**17,681**	33,638
Bank and other borrowings	*13*	**1,610,000**	822,329
Deferred tax liabilities		**29,568**	30,135
		1,664,522	894,108
NET ASSETS		**2,900,579**	2,879,881
CAPITAL AND RESERVES			
Share capital	*14*	**11,782**	11,782
Reserves		**1,908,815**	1,901,330
Equity attributable to owners of the Company		**1,920,597**	1,913,112
Non-controlling interests		**979,982**	966,769
TOTAL EQUITY		**2,900,579**	2,879,881

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 RMB29 million (31 December 2022: RMB933 million) as at 30 June 2023. 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"), which is a state-controlled company established in the People's Republic of China ("the PRC") with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會) and having a long standing reputation in the automobile industry in the PRC, 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 Group has applied the following new and amended HKFRSs issued by the HKICPA to this condensed consolidated financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Save for the disclosure below, none of the remaining new and amended HKFRs have a material impact on the Group's condensed consolidated financial statements.

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. As the new tax laws are not yet effective, the Group does not expect any current tax impact for the year ending 31 December 2023 (2022: nil).

3. REVENUE AND SEGMENT INFORMATION

(a) Disaggregation of revenue

	Notes	For the six months ended 30 June 2023 RMB'000	2022 RMB'000
Type of goods and services			
— Sales of engines and related parts and other power supply products	*(i)*	**1,180,571**	1,307,844
— Sales of automotive components and accessories	*(ii)*	**2,162,702**	2,406,726
— Sales of specialized vehicles	*(iii)*	**1,351,533**	2,085,759
— Trading of steels	*(ii)*	**316,633**	390,761
— Provision of water and power supply	*(ii)*	**64,496**	52,151
Revenue from contracts with customers within scope of HKFRS15		**5,075,935**	6,243,241
Revenue from gross rental income		**13,564**	31,445
Total		**5,089,499**	6,274,686
Timing of revenue recognition			
At point in time		**5,011,439**	6,191,090
Over time		**78,060**	83,596
Total		**5,089,499**	6,274,686
Geographical markets			
Mainland China		**5,002,760**	6,217,010
Others		**86,739**	57,676
Total		**5,089,499**	6,274,686

Notes:

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

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

(iii) These revenue has been classified as revenue under the commercial vehicles assembly segment in the segment information.

(b) Segment Information

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

The Group's reportable and operating segments under HKFRS 8 "*Operating Segments*" are as follows:

- Vehicles' power supply systems — Manufacture and sale of engines and engine 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 — Manufacture and sale of specialized vehicles
- Others — Property investment and others

Segment revenue & results

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 net exchange losses, share of profits less losses of associates and joint ventures, fair value changes of financial instruments at FVTPL, 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	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 2023						
Revenue						
Revenue from external customers	**1,180,571**	**2,543,831**	**1,351,533**	**13,564**	**–**	**5,089,499**
Inter-segment revenue	**10,664**	**47,988**	**1,406**	**–**	**(60,058)**	**--**
Total	**1,191,235**	**2,591,819**	**1,352,939**	**13,564**	**(60,058)**	**5,089,499**
Segment profit (adjusted EBIT)	**7,298**	**52,573**	**8,330**	**13,564**		**81,765**
Bank interest income						**50,027**
Net exchange gain						**3,522**
Central administrative costs						**(22,293)**
Share of results of associates						**(28,478)**
Share of results of joint ventures						**(3,044)**
Finance costs						**(67,782)**
Profit before taxation						**13,717**

	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 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)

(c) Seasonality of operation

The Group's three main reportable segments (as defined in note 3(a)(i), 3(a)(ii) and 3(a)(iii)) 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 2023, the three main reportable segments of the Group reported revenue of RMB11,395,962,000 (twelve months ended 30 June 2022: RMB13,490,873,000), and segment profit of RMB284,548,000 (segment loss twelve months ended 30 June 2022: RMB62,899,000).

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Impairment losses on assets held for sale	**–**	(7,527)
Decrease in fair value of investment properties	**(9,170)**	(8,275)
Fair value change of financial assets at FVTPL	**–**	7,416
Net exchange gain/(loss)	**3,522**	(14,736)
(Loss)/gain on disposal of property, plant and equipment and investment properties	**(49)**	9,177
Others	**313**	(2,487)
	(5,384)	(16,432)

5. PROFIT/(LOSS) BEFORE TAXATION

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs		
Interests on:		
— Bank borrowings	**38,138**	21,804
— Advances drawn on bills receivable	**28,249**	38,570
— Lease liabilities	**1,395**	1,913
	67,782	62,287

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
(b) Staff costs		
Salaries, wages and other benefits	**313,153**	504,219
Contributions to defined contribution retirement plans	**40,819**	37,110
Equity-settled share-based payment expenses	**4,138**	10,941
	358,110	552,270

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
(c) Other items		
Depreciation charge		
— owned property, plant and equipment	**176,208**	207,245
— right-of-use assets	**23,147**	28,409
Reversal of write-down of inventories, net	**(1,364)**	(20,820)
Cost of inventories*	**4,627,742**	5,825,978
Bank interest income	**(50,027)**	(49,687)
Government grants	**(3,388)**	(4,202)

* Cost of inventories includes RMB306,724,000 (six months ended 30 June 2022: RMB453,030,000) 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	
	2023	2022
	RMB'000	*RMB'000*
Tax charge represents:		
Current tax	**2,024**	2,873
Withholding tax on dividend distribution	**–**	393
Underprovision in prior years	**–**	1,474
	2,024	4,740
Deferred tax		
Origination and reversal of temporary differences	**(567)**	(3,854)
	1,457	886

Mainland China

In accordance with the relevant PRC corporate income tax laws ("CIT"), 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. 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 2023. Taxation of the Group's other subsidiaries in Mainland China are calculated using the applicable income tax rates of 25%.

The CIT 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 RMB808,000 has been provided (six months end 30 June 2022: RMB3,854,000 has been reversed) in respect of the undistributed earnings of the Group's PRC subsidiaries and charged 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 in Hong Kong has been made as the subsidiaries in Hong Kong or the Company do not have any assessable profit 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. PROFIT/(LOSS) PER SHARE

(a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB1,521,000 (six months ended 30 June 2022: loss attributable to equity shareholders to the Company of RMB80,545,000) and the weighted average number of 3,298,161,332 ordinary shares (six months ended 30 June 2022: 3,298,161,332 ordinary shares) in issue during the interim period.

(b) Diluted profit/(loss) per share

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2023 and 2022, and therefore, diluted profit/(loss) per share is the same as the basic profit/(loss) per share.

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

(a) Investment properties

	RMB'000
As at 1 January 2022	452,093
Transfer to property, plant and equipment and right-of-use assets, net	(10,458)
Disposal of investment properties	(5,560)
Increase in fair value recognized in other comprehensive income	7,128
Decrease in fair value recognized in profit or loss	(1,745)
Exchange adjustments	457
At 31 December 2022 and 1 January 2023	441,915
Transfer to property, plant and equipment and right-of-use assets, net	**(630)**
Decrease in fair value recognized in profit or loss	**(9,170)**
Exchange adjustments	**115**
At 30 June 2023	**432,230**

(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 5 years. The Group is required to make fixed payments. The Group recognized additions to right-of-use assets of RMB4,536,000 and the corresponding lease liabilities of RMB4,536,000 during the current interim period. As at 30 June 2023, the Group's carrying amounts of right-of-use assets are RMB253,920,000 and lease liabilities under current liabilities and non-current liabilities are RMB73,751,000 and RMB17,681,000, respectively. As at 30 June 2023, there were RMB39,985,000 in right-of-use leased from Guangxi Automobile Group (As at 31 December 2022: RMB53,974,000).As at 30 June 2023, there were RMB62,271,000 in lease liabilities arising from the lands and buildings leased from Guangxi Automobile Group (As at 31 December 2022:RMB61,357,000).

(c) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB118,575,000 (six months ended 30 June 2022: RMB171,732,000). Items of property, plant and equipment with a net book value of RMB1,478,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB15,558,000), resulting in a loss on disposal of RMB49,000 (six months ended 30 June 2022: gain on disposal of RMB8,945,000).

9. TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables:			
— SAIC-GM-Wuling Automobile Co., Limited ("SGMW")	*(a)*	**1,320,763**	1,111,305
— Guangxi Automobile Group (other than Wuling New Energy)	*(b)*	**25,514**	40,761
— Liuzhou Wuling New Energy Motors Company Limited ("Wuling New Energy")	*(d)*	**37,756**	57,308
— Guangxi Weixiang Machinery Company Limited ("Guangxi Weixiang")	*(c)*	**85**	4
— Liuzhou AAM Automotive Transmission System Co., Ltd ("Liuzhou AAM")	*(c)*	**815**	1,271
— Qingdao Lanqi Liuji Motors Technology Company Limited ("Qingdao Lanqi")	*(c)*	**34,237**	–
— Faurecia (Liuzhou) Automobile Seating Co.,Limited ("FL Seating")	*(d)*	**3,748**	3,732
— Faurecia (Liuzhou) Automobile Interior System Co., Limited ("FL Interior")	*(d)*	**9,627**	13,020
— Faurecia (Liuzhou) Emission Control Technologies Co., Limited ("FL Emissions")	*(d)*	**14,443**	2,096
— Liuzhou Leadrive Electronic Control Technology Co., Ltd. ("Liuzhou Leadrive")	*(d)*	**48**	28
— Third parties		**1,119,956**	1,112,842
		2,566,992	2,342,367
Less: Allowance for credit losses		**(78,809)**	(78,486)
Subtotal		**2,488,183**	2,263,881
Other receivables	*(e)*	**42,968**	72,753
Less: Allowance for credit losses		**(681)**	(770)
Subtotal		**42,287**	71,983
Prepayments		**179,988**	139,514
Value-added tax recoverable		**10,268**	5,823
Total trade and other receivables		**2,720,726**	2,481,201

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, Liuzhou AAM and Qingdao Lanqi are joint ventures of the Group.

(d) Wuling New Energy, FL Seating, FL Interior ,FL Emissions and Liuzhou Leadrive are associates of the Group.

(e) Included in other receivables are amount due from Guangxi Automobile of RMB3,710,000 (31 December 2022: 3,710,000). The amount is rebate compensation for purchasing automotive components (e.g. automotive battery) from Guangxi Automobile.

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 RMB2,488,183,000 (31 December 2022: RMB2,263,881,000) 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 2023 *RMB'000*	At 31 December 2022 *RMB'000*
0–90 days	**2,278,362**	2,114,644
91–180 days	**130,596**	100,833
181–365 days	**51,419**	39,780
Over 365 days	**27,806**	8,624
	2,488,183	2,263,881

10. BILLS RECEIVABLE AT FVTOCI

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Bills receivable *(note a)*:		
— SGMW	**623,972**	892,443
— Guangxi Automobile Group (other than Wuling New Energy)	**11,208**	2,763
— Wuling New Energy	**485**	6,493
— Guangxi Weixiang	**990**	6,500
— FL Seating	**7,054**	–
— Third parties	**144,937**	215,341
	788,646	1,123,540
Bills receivable discounted with recourse *(note b)*	**3,458,596**	3,384,607
	4,247,242	4,508,147

Notes:

(a) Bills receivable represent bills received from customers to settle the trade receivables. The bills receivable are mainly bank acceptance bills with a primary maturity period of less than 180 days. The ageing analysis based on the date of receipt of bills from customers is as follows:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
0–90 days	**414,093**	747,938
91–180 days	**374,057**	375,503
181–365 days	**496**	99
	788,646	1,123,540

As at 30 June 2023, the bills payable were secured by pledge of bills receivable with an aggregate carrying amount of RMB611,470,000 (31 December 2022:RMB646,860,000).

(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 13.

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
0–90 days	**1,683,176**	1,493,382
91–180 days	**1,711,955**	1,891,225
181–365 days	**63,465**	–
	3,458,596	3,384,607

11. TRADE AND OTHER PAYABLES

	Notes	**At 30 June 2023**	At 31 December 2022
		RMB'000	*RMB'000*
Trade and bills payables:	*(a)*		
— SGMW		**231,945**	151,899
— Guangxi Automobile Group		**39,576**	43,013
— FL Seating		**25,077**	40,485
— FL Interior		**34,002**	34,284
— FL Emissions		**28,142**	17,832
— Liuzhou Leadrive		**14,471**	67,079
— Other related parties		**4,118**	7,176
— Third parties		**5,995,826**	5,811,682
		6,373,157	6,173,450
Value added and other tax payables		**36,289**	124,018
Accrued research and development expenses		**105,779**	104,004
Accrued staff costs		**83,011**	94,821
Deposits received from suppliers		**59,158**	63,765
Other payables		**144,777**	99,472
Total trade and other payables		**6,802,171**	6,659,530

Notes:

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

Trade payables

	At **30 June** **2023** ***RMB'000***	At 31 December 2022 *RMB'000*
0 to 90 days	**2,480,154**	2,347,911
91 to 180 days	**134,202**	135,884
181 to 365 days	**50,090**	180,263
Over 365 days	**116,036**	179,077
	2,780,482	2,843,135

Bills payable

	At **30 June** **2023** ***RMB'000***	At 31 December 2022 *RMB'000*
0 to 90 days	**2,230,805**	1,773,920
91 to 180 days	**1,361,870**	1,556,395
	3,592,675	3,330,315

12. PROVISION FOR WARRANTY

	RMB'000
At 1 January 2022	95,023
Additional provision for the year	23,604
Utilization of provision	(31,475)
At 31 December 2022	**87,152**
Additional provision for the period	**20,264**
Utilization of provision	**(17,448)**
At 30 June 2023	**89,968**

The Group provides warranty of certain periods to its customers on engines and engine related parts, automotive components and accessories and specialized 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.

13. BANK AND OTHER BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLE DISCOUNTED WITH RECOURSE

	Notes	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank borrowings		**2,173,184**	2,248,780
Other borrowings	*(a)*	**8,479**	–
		2,181,663	2,248,780
Analysis of bank borrowings:			
Secured	*(b)*	**415,860**	173,236
Unsecured		**1,765,803**	2,075,544
		2,181,663	2,248,780
Less: Amounts due within 12 months shown under current liabilities		**(571,663)**	(1,426,451)
Amounts shown under non-current liabilities		**1,610,000**	822,329
Advances drawn on bills receivable discounted with recourse	*(c)*	**3,462,994**	3,395,997

Notes:

(a) The other borrowings as at 30 June 2023 is due to Guangxi Automobile which is unsecured, carries variable interest at LPR1Y-65BP per annum. The Group has promised to repay the loan at anytime on demand.

(b) The bank borrowings as at 30 June 2023 were secured by bank deposits of RMB58,834,000 (31 December 2022: RMB38,558,000).

(c) The amount represents the Group's bank borrowings secured by bills receivable discounted to banks with recourse of RMB3,277,914,000 (31 December 2022: RMB3,262,451,000) and to Guangxi Automobile with recourse of RMB185,080,000 (31 December 2022: RMB133,546,000).

	For the six months ended 30 June 2023	2022
Effective interest rate (per annum):		
Fixed-rate borrowings	**1.10%-3.40%**	0.50%-3.85%
Variable-rate borrowings	**2.30%-3.80%**	–

14. SHARE CAPITAL AND DIVIDEND

(a) Share Capital

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Shown in the condensed consolidated financial statements at the end of the reporting period *(note i)*	**11,782**	11,782

Note:

(i) As at 30 June 2023, the number of shares of the Group is 3,298,161,332 (31 December 2022: 3,298,161,332).

(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 2022: nil).

During the current interim period, a final dividend of HK$0.3 cents per share (six months ended 30 June 2022: 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 RMB9,176,000) (six months ended 30 June 2022: HK$9,894,000 or equivalent to RMB8,449,000) and has been paid subsequent to the interim period.

15. SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 10 November 2021 ("Adoption Date") ("Share Option Scheme"). 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 date of grant of the share options ("Grant Date") were granted to the executive Director 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, being the closing price of the Shares on the Grant Date.

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).

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		

The number and weighted average exercise prices of Share Options are as follows:

	Weighted average exercise price	**Number of options**
	HKD	*'000*
Outstanding at 1 January 2022	1.93	83,474
Forfeited during the period *(note a)*	1.93	(1,878)
Outstanding at 30 June 2022	1.93	81,596
Forfeited during the period *(note b)*	1.93	(38,536)
Outstanding at 31 December 2022 and 1 January 2023	**1.93**	**43,060**
Forfeited during the period *(note a)*	**1.93**	**(537)**
Outstanding at 30 June 2023	**1.93**	**42,523**

(a) The forfeited number of options are due to the resignation and/or redesignation of employment.

(b) The Group did not meet specific performance targets for the year ended 31 December 2022 which caused 18,454,000 Share Options forfeited during the period. The remaining forfeited number of options are due to the resignation and/or redesignation of employment.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

MESSAGES FROM THE BOARD OF DIRECTORS

PREFACE

We hereby present the unaudited results of Wuling Motors Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group" or "Wuling Motors") for the six months ended 30 June 2023.

Economic recovery after the COVID-19 pandemic has had its ups and downs in 2023. In the face of tough market conditions such as shrinking industry demand, intensifying competition and tightening supply chains, the Group focused on the business strategy of "Steady Growth and Productivity Improvement" and adhered to the general principle of "Making Progress while Maintaining Stability and Attaining Achievement while Making Progress so as to Promote High Quality Development" in seeking breakthroughs externally and promoting efficiency internally. While sharpening our skills in practice and forging ahead in adversity, we actively adopted measures to stabilise growth and work further to reduce costs and increase productivity, in order to make unremitting efforts to improve efficiency and give reward to shareholders.

Affected by the above adverse factors and the restructuring exercise of the new energy vehicles ("NEV") business, the Group's total revenue for the six months ended 30 June 2023 was RMB5,089,499,000, representing a decrease of 18.9% as compared to the corresponding period in 2022, which was mainly attributable to a decline in revenue in the commercial vehicles assembly division and moderate declines in revenue in the vehicles' power supply system division and the automotive components and other industrial services division.

Gross profit for the period under review was RMB410,589,000, representing an increase of 10.3% as compared to the corresponding period in 2022. In addition to positive factors of lower prices of raw materials such as steel and the start of the scale production of new products with higher gross profit margins, the increase in gross profit was also benefited from certain fine cost control measures and total budget management policies implemented during the period to reduce cost and enhance efficiency. The Group's gross profit margin for the first half of 2023 was 8.1%, representing an increase of approximately 220 basis points as compared to that of 5.9% in the corresponding period in 2022.

Moreover, the restructuring exercise of the NEV business and cost control measures implemented under "Three Containments" principle of the Group had also exerted positive effect in reducing the Group's expenditures during the period. Hence, the Group marked a turnaround and recorded a net profit of RMB12,260,000 for the first half of 2023, as compared to the net loss of RMB138,587,000 for the corresponding period in 2022. During the period under review, profit attributable to owners of the Company was RMB1,521,000, which also represented a significant improvement as compared to the loss of RMB80,545,000 as recorded in the corresponding period in 2022.

I. MAJOR TASKS IN THE FIRST HALF OF 2023

(A) Sticking to main task of "Steady Growth" and focusing on principal businesses to expand markets despite adversity

1. Despite difficulties, automotive components and other industrial services business division sought breakthroughs through market expansion

The automobile industry in the PRC was still in the recovery period after policy adjustments. The Group's automotive components and other industrial services business division experienced a decrease in orders and thus a decline in sales revenue due to a drop in production as a result of the destocking processes of major clients. During the period, the Group stepped up efforts on market surveys and paying visits to clients and seized every opportunity to build connections with the medium to high-end passenger vehicle and the NEV brands in the PRC, in a bid to get out of the entanglement of a high concentration single customer components supplying market model. On one hand, the Group matched up with production plans of the key customer, aiming at further exploring the potential values of the client, casting our eyes on the components and parts of their NEV models and undertook to manufacture and supply products including subframes, reducer assemblies and electric axles for Bingo and Yep. On the other hand, the Group, based on our comprehensive supply chain system for automotive manufacturers, successfully entered the component and part supplying systems of Great Wall Motors, Foton, Hozon, and BAIC, etc. For instance, capitalising on the potential business opportunities during our development and planning, the Group focused on carrying out a localisation strategy of production in supplying automotive components and parts for Hozon, which had effectively improved the profitability of our products in the first half of 2023. During the same period, monthly output of Jingmen Base had also been steadily increased. Since June, with the launches of a number of frames, rear axles and 22 sheet metal parts, the respective operations was ushering in a good stage of rapid development.

Overall, the automotive components and other industrial services division achieved sales revenue of RMB2,543,831,000 in the first half of 2023, representing a year-on-year decrease of 10.7% as compared to the corresponding period in 2022. However, business arising from the other customers (other than our core customer) was performing well and maintained a moderate growth in the percentage share of the total revenue during the period.

2. ***Driven by strong determination, vehicles' power supply system business division prioritised technology development to increase production volume***

Facing the post-pandemic restorative growth opportunities in the gasoline light-duty mini trucks sub-market segment, the vehicles' power supply system business division, with the goal of green, low-carbon transformation and high-quality development, launched the research and development and mass production of high-efficiency engines and new energy vehicle power supply systems, forming a product layout that combines the upgrading of traditional power technologies with the integrated development of new energy powertrains. The first was to consolidate the established market of our core customer by implementing fine-grained order control and strengthening our product quality and reliable, complete supply chain. Second was to adopt the keynote of "Consolidating Existing Customers, Digging for High-Quality Customers", and concentrate efforts on key projects. During the period, the new 600,000 cylinder head blank production line was completed and had been put into production, enabling the Group to have the capacity to take over the casting components orders from BYD. Batch supply has commenced since June. Thirdly, the Group has also continued to promote the product research and development and technological transformation of the project of the high-efficiency engine and hybrid powertrain systems for the collaborative integration in vehicles. Sales of the M20B high thermal efficiency engine launched in 2023 grew rapidly.

Sales volume of vehicles' power supply systems, primarily engines, reached 126,000 units in the first half of 2023, marking significant growth as compared to the corresponding period in 2022, in which the most significant increase in sales volume was originated from the other customers (other than our core customer) with approximately 68,000 units being sold during the period, including SAIC Maxus, Dongfeng Motor and Chang'an Automobile. To sum up, the vehicles' power supply system business division achieved sales revenue of RMB1,180,571,000 in the first half of 2023, representing a year-on-year decrease of 9.7% as compared to the corresponding period in 2022, primarily due to a decline in sales of engine components. However, driven by positive factors such as the mass production of new products with higher gross profit margins, the profitability of the division has improved gradually.

3. ***The commercial vehicles assembly business division played to its strengths and made up for deficiencies to embark on a new journey***

Due to the request for registration of large-tonnage light trucks marked with small tonnages and the RED directive, the domestic specialized vehicle market has experienced weak growth in demand. In response to adverse market conditions, the Group formulated strategies, tapped into product potential, and sought breakthroughs in high-value added segments. It became a member of the Joint Promotion Office of Automotive Legal Modification (LM) and participated in the formulation of the national standard titled Test Method for Braking Performance of Off-road Sightseeing Vehicles to promote industry improvement. The Group took some countermeasures, including increasing efforts to expand the existing product markets. During the period, Wuling products including patrol vehicles, sightseeing vehicles and sanitation vehicles were delivered across northern and southern China to Yunnan, Chongqing, and Qingdao. The division also explored the ability to customise speciality products, of which the self-developed "Wuling Happy Sale Car" can be customised according to customer needs into luosifen trucks, BBQ trucks and others and turn into "street vending vehicles" to add flavours of life to cities. Moreover, the first batch of intelligent mobile energy storage electric vehicles with chassis by wire were successfully delivered to clients, extending our business to the field of low-speed intelligent driving. Meanwhile, the division seized the huge opportunities arising from the Regional Comprehensive Economic Partnership (RCEP) to expand the overseas markets. Specifically, it diversified sales channels through cross-border e-commerce platforms and attended international exhibitions such as the overseas exhibition of the China-ASEAN Expo in Singapore and Canton Fair to promote products. During the period, thanks to the export of Wuling sightseeing vehicles, golf carts and other products to Vietnam and Singapore, the division had made a strong breakthrough and successively obtained orders in Thailand, Australia, and other markets.

Sales volume of modified vehicles amounted to 28,400 units in the first half of 2023, making us one of the leading suppliers of mini modified trucks. In details, the commercial vehicles assembly division actively developed the specialty vehicle market. With successive launch of refrigerated trucks, police cars, fire-fighting trucks, and other specialty vehicles, sales volume of specialty vehicles amounted to 580 units in the first half of 2023. Meanwhile, the off-road vehicle business segment had also actively increased efforts on marketing and conducted targeted optimisation of sales channels inside and outside the main marketing regions to strengthen promotion. Sales volume of off-road vehicles reached 1,700 units during the period. In the first half of 2023, the commercial vehicles assembly division recorded sales revenue of RMB1,351,533,000, representing a decrease of 35.2% as compared to the corresponding period in 2022, which was primarily due to the restructuring exercise of the NEV business.

(B) Sticking to the goal of "Productivity Improvement" and striving for the development of the new energy business segment with great enthusiasm

1. Making continuous efforts on expansion in the new energy industry

The Group firmly grasped the market opportunities from the new energy industry to improve our capabilities in pure electric and plug-in hybrid technology, giving a boost to the new energy business. In terms of expanding the vehicle market, the Group has "blossomed" both domestically and internationally. Domestically, the Group increased efforts on market development, penetration, and marketing amid fierce competition to consolidate and expand the market share of new energy business. Liuzhou Wuling New Energy Automobile Co., Ltd. ("Wuling New Energy"), an associate of the Group, sold approximately 4,700 G model new energy logistics vehicles during the period and developed several new models which are expected to be launched to the market in the second half of the year. In particular, LINXYS Gold Truck, a hybrid mini truck, which was the first priority and launched in June, is expected to become a new business growth point. In terms of international markets, the independently-developed G050 pure electric new energy logistics vehicles, recognized as the "First" project of the Guangxi Province under RCEP, were successfully delivered to Japan in February. New energy logistics vehicles were also delivered to logistics firms including Europe's FEST and DHL, marking the extension of our footprint on new overseas territory following North America and Japan. In terms of expansion of key components and parts, the Group, on the basis of self-developed new energy products like rear axles, motors, electronic control units, range extenders and hybrid powertrains, undertook to develop a number of new energy electric axles and range extenders for Great Wall Motor, JAC and BAW Qingdao. For instance, our first commercialised coaxial axle in China had drawn widespread attention at the Auto Shanghai 2023, and a batch of new rear axles on Great Wall Motor's high-end plug-in hybrid off-road SUVs were also delivered in June. Our production capacity of the new rear axles is expected to increase rapidly in the second half of this year and thus the rear axles can be expanded to cover pickup trucks and four-wheel-drive hybrid SUVs.

(C) Highlighting "Excellent Management" and promoting lean management for breakthroughs

1. Tapping into potential and deepening reform to gain momentum

On the basis of the results of the three-year reform campaign of state-owned enterprises ("SOE") in the previous period, the Group, taking into account its actual operating conditions, has focused on industrial transformation and upgrading, product structure optimisation, cultivation of competitive advantages and external market expansion. The Group vigorously promoted professional integration and forward-looking presence, built an efficiency- and benefit-oriented management mechanism, deepened the three-system reform, improved the quality and effectiveness of the tenure system and contractual management, optimised the differentiated performance assessment and compensation distribution systems, optimised the allocation of internal resources, strengthened process management and work coordination, pushed forward with the fine corporate management, and enhanced the internal vitality and efficiency.

2. Reducing losses, turning losses around, and focusing on achieving tangible results

With top priority of loss reduction and turnaround, the Group was committed to solving problems and achieving targets, by focusing on difficulties, making systematic plans, and taking collaborative actions to ensure the effective implementation of loss control. Via the company-specific policy, we formulated strict measures to reduce losses and swing to a profit from a loss and set goals for loss-making companies at all levels, in a bid to ensure the fulfilment of responsibilities level by level. For some loss-making companies within the Group, the annual target loss ratio and loss amount for 2023 were cut by more than 10% from a year earlier. Among them, our subsidiary in Indonesia had successfully achieved turnaround during the period. Last year, on the basis of the original models, the subsidiary undertook the localization of products from major customers, and at the same time, through actively expanding customers and cooperating with a first-tier supplier of Hyundai Korea to undertake stamping products. The subsidiary posted sales revenue of RMB26,502,000 in the first half of 2023 and recorded a net profit of RMB3,792,000.

3. Taking practical actions and working hard to strictly control costs

The Group made great efforts to increase revenue and reduce expenditure starting from the management team, took actions to increase profit and enhance benefits, and worked hard to reduce costs and increase efficiency. Firstly, the Group has strengthened the control of labor costs, studied and formulated the Group's labor cost control and cost reduction plan in conjunction with the efficiency, strengthened lean management, and ensured a significant reduction in labor costs in the first half of the year of 2023, which enables us to realize the economic benefits. Secondly, as far as structural costs are concerned, the Group strengthened total budget management and strictly controlled spending on investment projects. Efforts were made to strictly implement target cost management and strengthen budget control and financial analysis. Last but not least, in terms of "Three Containments", we completed the disposal of non-performing receivables, non-performing inventories, inefficient and ineffective fixed assets in the first half of 2023, which improved the fine management efficiency.

(D) Emphasising on "Participating in Public Welfare", devoting ourselves with love to give back to society and promoting our development

The Group gave full play to our advantages, strengthened our mission, and comprehensively promoted rural revitalisation. On one hand, we gave full play to our advantages and strengthened our mission. The Group selected and assigned several individuals as the first party secretaries of villages to expand the team in villages. On the other hand, we provided assistance for reciprocity to contribute to rural revitalisation. The Group organised the trade union to purchase agricultural by-products from 5 assisted villages, in a bid to promote the industrial development of assisted villages by boosting consumption. We carried out co-building activities related to assistance in various forms such as Children's Day-themed activity and industrial surveys, as part of our efforts to provide assistance via consumption.

II. WORK PLANS AND MAJOR INITIATIVES FOR THE SECOND HALF OF 2023

(A) Concentrating on new energy and tapping into product potential

The Group will push forward with the transition of our existing businesses covering the vehicle power supply system, automotive components and commercial vehicles assembly to new energy sources, striving for a continuous increase in the new energy business, with a view to realizing a 50% proportion share in our business in the future. In addition, we will constantly tap into product potential, develop emerging businesses, and foster economic growth points. Firstly, continuous efforts will be made to promote the digital research and development and manufacturing of components and parts, so as to create high-end components and parts with high technology and core competitiveness. We will expand into the fields of automotive components and parts for medium to high end passenger vehicles and new energy vehicles. In particular, we will increase the variety of new energy parts to form multi-torque platform products with different reducer structures and different integration levels, in order to satisfy clients' personalised needs for electric drive systems. Secondly, the power supply system division, aiming to achieve high quality development featuring green and low carbon, will create a pattern of technological upgrading of conventional powertrains and development of new energy powertrains, build the ability to make core components such as stators and rotors, and improve the proportion of new energy business in vehicles' power supply systems. Finally, while stabilising the market share, the commercial vehicles assembly business division will seek breakthroughs in the high-value added modification segment, expand our footprints to high-value-added speciality modified vehicles and other products, and make efforts to develop in the international markets. Through a parallel export model for the United States, Japan and Europe and with relevant experience, the Group will strive to make more products go global and shine in the international markets.

(B) Deepening fine management and unleashing development potential

The Group, which will uphold the principle of cost reduction, efficiency improvement and quality enhancement, will strengthen budget control and cost accounting management, follow up the implementation of measures to "increase revenue, reduce expenditure, and improve quality and benefits", and deepen the management of loss-making companies, so as to prevent and control business risks, and promote the achievement of business objectives. Meanwhile, by releasing the potential energy of reform to stimulate the development vitality, the Group will focus on the key tasks for actions to deepen and upgrade the SOE reform to further consolidate the corporate governance structure, improve the enterprise management system, and coordinate the discussions of various governance bodies in a standardized manner within the scope of their powers and responsibilities, with a view to strengthening the operation quality, striving to sprint, and making unremitting efforts to complete the annual business objectives.

Through conscientious plans and efforts, the management believes that the Group's long-term business potential in the Chinese automobile industry will continue to be strengthened. With the continuous support from Guangxi Automobile, our ultimate controlling shareholder and joint venture partner, and our clients, we firmly believe that our business prospect is promising and will bring rewards to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — By Key Business Segments

The business performance and evaluation of the Group's three main business segments namely (1) vehicles' power supply systems; (2) automotive components and other industrial services; and (3) commercial vehicles assembly for the first half of 2023 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 2023 was RMB1,180,571,000, representing a moderate decrease of 9.7% as compared to the corresponding period in 2022, which was mainly due to the corresponding unfavourable economic environment during the period.

Total number of vehicles' power supply systems, primarily engines, sold by the subsidiaries, primarily Liuzhou Wuling Liuji Motors Company Limited ("Wuling Liuji"), for the first half of 2023 was approximately 126,000 units, representing an increase of approximately 15.6% as compared to the corresponding period in 2022, among which the business volume contributed by the new models of engines and other power supply systems had been gradually increased.

During the period, sales to SGMW, our core customer,amounted to approximately RMB634,635,000, representing a decrease of approximately 10.7% as compared to the corresponding period in 2022. Amongst which, the revenue generated from the sales of the M20B high thermal efficiency engine launched in 2023 accounted for a significant portion.

Meanwhile, sales to other customers, which comprised sales of the engine sets, hybrid power supply systems and the electric motor control systems and related components, as well as the engine's cylinder components, were decreased by approximately 8.6% to approximately RMB545,936,000 for the period, and accounted for approximately 46.2% of the total revenue of this division. The sales were mainly contributed from the successful launches of new products to the existing and new customers.

Despite the unfavorable economic environment as abovementioned, benefited from a lower cost of raw materials and the increasing sales of higher margin products, the profitability performance of the division had been gradually improved since the second half of last year, from which an operating profit of RMB7,298,000 was recorded by the division for the first half of 2023, as compared to the operating loss of RMB63,013,000 as recorded in the corresponding period in 2022. Encouragingly speaking, the division's transformation from a traditional fuel engine manufacturer to a multidimensional vehicles' power system supplier extending to the business segment of different types of new energy vehicle continued to generate positive results to the Group despite a relatively tough business environment of the automobile industry in China.

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 vehicles. 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 2023 was RMB2,543,831,000, representing a decrease of 10.7% as compared to the corresponding period in 2022, which was mainly due to a decline in the business volume as affected by the general unfavourable economic environment during the period, where the inventory levels of the automobile customers were relatively high during first three months.

Meanwhile, resulting from the positive factors of a lower cost of raw materials and cost control measures, where the division's expenditures in the aspects of primarily general and administrative, and research and development had been effectively contained, the division was managed to deliver a set of profitable results for the period, from which an operating profit of RMB52,573,000 was recorded for the six months ended 30 June 2023 as compared to the operating loss of RMB12,327,000 as reported in the corresponding period in 2022.

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, Hozon Motors, Dongfeng Sokon, etc, which were progressing satisfactorily during the period. For the first half of 2023, sales to other customers accounted for approximately 35.6% 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 extended our focus to various types of 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 more markets by covering the business potential arising from other customers. The initial responses from these diversification projects, including Hozon Motor's EV components project, 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 has started operational in the second half of 2022 was 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.

Meanwhile, the Group's overseas production plants in Indonesia and India continued to deliver sets of satisfactory results during the first half of 2023. Benefited from the growing demands from customers, 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 2023. 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 2023.

Going forward, the Group considers the competitive strength of the division in the automobile industry, as featured in our prominent customers base, long and standing industry experiences, as well as our special strategic focus on the new energy vehicles segment, will continue to provide strong supports to the business growth 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 2023 was RMB1,351,533,000, representing a decrease of approximately 35.2% as compared to the corresponding period in 2022.

During the period, business volume of the commercial vehicles assembly division has been adversely affected by the general unfavourable economic environment during the period at which the market demand was severely weak. Apart from this, completion of the restructure exercise of the business of the Group's new energy vehicles in late 2022 as below mentioned, where the assembly business of the Group's new energy vehicles were transferred to the Group's associate, namely Liuzhou Wuling New Energy Motors Company Limited ("Wuling New Energy"), had also resulted in a direct reduction of the business volume of the division.

In the first half of 2023, Wuling Industrial sold approximately 30,300 different models of vehicles, representing a decrease of 22.3% as compared to the sale volume of 39,000 as reported in the corresponding period in 2022. Amongst which, the sale volume of refitted vehicles and other types of vehicles (primarily sightseeing vehicles) decreased to approximately 28,440 vehicles and 1,860 vehicles respectively. The declines were mainly due to the weak market demand resulting from the general unfavourable economic environment during the period.

Despite a decline in the business volume, benefited from lower cost of raw materials and a substantial reduction in the division's expenditure resulting the effective implementation of certain restructure exercise and cost control measures, the division was managed to deliver a set of profitable results for the period, from which an operating profit of RMB8,330,000 was recorded for the six months ended 30 June 2023 as compared to the operating loss of RMB36,160,000 as reported in the corresponding period in 2022.

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. 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.

Indeed, prior to the below mentioned restructure exercise, the division had 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 had also gradually built up a nationwide distribution network across the country with over 130 dealerships. More remarkably, the division had 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, where the division continued to act as the principal sale agent, are expected to be gradually increased in coming years.

These solid business platforms and experiences in the new energy vehicles segment essentially paved the way for the restructure exercise of the business of the Group's new energy vehicles which took place in last year as below mentioned.

The Group has actively formulated appropriate strategies to expedite the business development in the new energy vehicle. As stated in our 2022 annual report, 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 Wuling New Energy, a then 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 had been completed on 30 November 2022. From then onwards, Wuling New Energy has become an associate of the Group, and the Group’s principal business entity in the new energy vehicles business, of which its business performance for the six months ended 30 June 2023 is described in the section “Performance of Joint Ventures and Associates” below.

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. Indeed, the launches of various upgraded models of non-road vehicles, such as sight-seeing buses and golf carts had all received satisfactory reception from the overseas markets which have tremendous business potential.

Besides, the division has also commenced the production of motor cycles since last year, aiming at providing a wide range of motor cycle products in serving the specific needs of different customers.

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

Wuling New Energy

Wuling New Energy which is owned as to 13.50% by the Company and 13.26% by Wuling Industrial as at 30 June 2023 and formed by Guangxi Automobile for pursuing the new energy vehicles business, including the highly competitive electric vehicles, plug-in hybrid new energy vehicles and other new energy smart travel products, as more fully described under the "Commercial Vehicles Assembly" business segment has become the Group's associate following the completion of the abovementioned Capital Increase and Restructure on 30 November 2022.

For the six months ended 30 June 2023, Wuling New Energy has developed and launched several new models on the basis of the original G100 series models. On June 28 2023, it released the "Lingshi Brand" and launched the first plug-in hybrid small card "Lingshi Gold Card". Amongst them, G050 model electric logistic vehicle, recognized as the groundbreaking EV of the Guangxi Province under the RCEP for the international market, the first batch of orders has been delivered to Japanese customers. At the same time, Wuling New Energy has further accelerated the pace of development in the global market by supplying various types of new energy logistics vehicles to large international logistics companies in Europe and North America. During the period, Wuling New Energy sold about 4,700 new energy vehicles, mainly contributing to the G100 model vehicles. Benefited from the successful launches of new models G050, Lingshi Gold card, etc to the market both locally and internationally, it is expected the volume will be substantially increased in the second half of 2023.

During the period under review, Wuling New Energy achieved total revenue of RMB359,917,000 and incurred a net operating loss of RMB103,809,000 as it was still operating at the development stage, in which loss attributable to the Group amounted to RMB27,623,000.

Other Material 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 RMB293,859,000 for the first half of 2023, representing a moderate decrease of 6.0% as compared to the corresponding period in 2022 due to a decrease in the business volume as caused by the general unfavourable economic environment during the period. Accordingly, net operating profit was decreased by 26.6% to RMB4,589,000 (as compared to the net operating profit of RMB6,252,000 as achieved in the corresponding period in 2022), in which profit of RMB2,295,000 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 sixth year of operation in 2023. 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 had adversely affected the business performance of FL Seating. During the period under review, FL Seating registered total revenue of RMB80,041,000, representing a decrease of 34.4% as compared to the corresponding period in 2022. Accordingly, a net operating loss of RMB7,037,000 was incurred which was nevertheless moderately decreased as compared to the net operating loss of RMB9,655,000 as incurred in the corresponding period in 2022, in which loss of RMB3,519,000 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 sixth year operation in 2023. 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, as affected by the unfavourable market condition as abovementioned, FL Interior experienced a decline in the business volume by registering a total revenue of RMB151,505,000, representing a moderate decrease of 12.4% as compared to the corresponding period in 2022. Despite this difficult situation, FL Interior was managed to manage its profitability by registering a net operating profit of RMB11,121,000, which was slightly increased as compared to the net operating profit of RMB10,608,000 as achieved in the corresponding period in 2022, in which profit of RMB5,561,000 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 fifth year operation in 2023. 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 affected the business performance of FL Emission, where total revenue was reduced by 29.0% to RMB149,388,000 from which a net operating loss of RMB1,172,000 was incurred (as compared to the net operating loss of RMB3,827,000 as incurred in the corresponding period in 2022), in which loss of RMB586,000 was attributable to the Group.

Meanwhile 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") 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 continued to incurred operating loss for the period under review as affected by the adverse factors, which amounted to RMB4,998,000, in which loss of RMB2,499,000 was attributable to the Group. Given that the loss making situation of AAM JV was unlikely to be turned around in the near future, the partners of the joint venture had been in discussion to sort out certain restructure plan for AAM JV in safeguarding the interests of the parties under this uncertain and difficult business environment.

Meanwhile, Qingdao Lanqi Liuji Motors Technology Company Limited ("Qingdao Lanqi") and Liuzhou Leadrive Electronic Control Technology Co., Ltd. ("Liuzhou Leadrive") in which the Group interested in 23.08% and 40% respectively, were both at the stage of initial operation and business development during the period under review and therefore respective operating losses of RMB11,144,000 and RMB5,778,000 were incurred, in which RMB2,572,000 and RMB2,311,000 were attributable to the Group respectively for the period.

Financial Review

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group's total revenue for the six months ended 30 June 2023 was RMB5,089,499,000, representing a decrease of 18.9% as compared to the corresponding period in 2022. The decrease was mainly attributable to a decrease in the business volume of the vehicles' power supply system division and the automotive components and other industrial services division due to the general unfavourable economic environment during the period, where the inventory levels of the automobile customers were relatively high. Apart from this, completion of the restructure exercise of the business of the Group's new energy vehicles in late 2022 as mentioned above, where the assembly business of the Group's new energy vehicles were transferred to the Group's associate, Wuling New Energy, had also resulted in a direct reduction of the business volume of the commercial vehicles assembly division.

Despite a decline in the business volume during the period, Group's profitability performance was improved for the six months ended 30 June 2023, benefited from an improvement in the gross profit margin resulting from a lower cost of raw materials and the increasing sales of higher margin products in the vehicles' power supply systems division. Gross profit for the period under review was RMB410,589,000, representing an increase of 10.3% as compared to the corresponding period in 2022. Gross profit margin achieved by the Group improved to 8.1% for the period as compared to the 5.9% recorded for the corresponding period in 2022.

Meanwhile, due to certain restructure exercise and cost control measures, Group's expenditures in the aspects of primarily general and administrative, and research and development had also been decreased as compared to the corresponding period in previous year. Hence, for the first half of 2023, the Group reported a net profit of RMB12,260,000 which was significantly improved as compared to the net loss of RMB138,587,000 recorded for the corresponding period in 2022, whereas, the Group also reported profit attributable to the owners of the Company of RMB1,521,000, which was also significantly improved as compared to the loss attributable to the owners of the Company of RMB80,545,000 for the corresponding period in 2022.

Accordingly, basic profit per share for the six months ended 30 June 2023 was RMB0.05 cents, which was significantly improved as compared to the basic loss per share of RMB2.44 cents as recorded in the corresponding period in 2022.

Other income comprised primarily bank interest income, government grants, sales of scrap materials and parts and other sundry income was in aggregate RMB96,479,000 for the six months ended 30 June 2023, representing an increase of 13.3% as compared to the corresponding period in 2022 which was mainly due to increases in income from machinery rental, sale of scrap materials and other compensation income.

Other gains and losses amounted to a net aggregate loss of RMB5,384,000 for the six months ended 30 June 2023, which comprised primarily the combined results of decrease in fair value of investment properties amounting to RMB9,170,000 and net exchange gain of RMB3,522,000.

Share of results of associates reported a total net loss of RMB28,478,000 for the six months ended 30 June 2023 representing primarily the net operating losses attributable to Wuling New Energy, FL Seating, FL Emission, and Liuzhou Leadrive, among which Wuling New Energy, which operated at the initial business and development stage, accounted for the majority portion. The loss making results were also due to a decline in the business volume as affected by the general unfavourable economic environment during the first half of 2023. Meanwhile, FL Interior continued to deliver a set of profitable results for the period due to its ability in maintaining stability in terms of business volume and gross profit margin.

Share of results of joint ventures reported an aggregate net loss of RMB3,044,000 for the six months ended 30 June 2023, which were mainly attributable to the net operating loss of AAMJV and Qingdao Lanqi, where the business performance continued to be affected by the adverse factors. Given that the loss making situation of AAMJV was unlikely to be turned around in the near future, the partners of the joint venture had been in discussion to sort out certain restructure plan for AAM JV in safeguarding the interests of the parties under this uncertain and difficult business 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 RMB50,860,000 for the six months ended 30 June 2023, representing a mild increase of 8.6% as compared to the corresponding period in 2022 which was mainly due to the mild increases in the warranty expenses during the first half of 2023.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB213,534,000 for the six months ended 30 June 2023, representing a substantial decrease of 22.4% as compared to the corresponding period in 2022. The decrease was mainly due to certain restructure exercise and cost control measures implemented by the Group during the period. 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 declines in revenue and promoting competitiveness and efficiency.

Research and development expenses for the six months ended 30 June 2023 amounted to RMB124,035,000, representing a decrease of 35.1% as compared to the corresponding period in 2022, which was partly due to the completion the restructure exercise of the business of the Group's new energy vehicles as more fully described under the "Commercial Vehicles Assembly" business segment from which the research and development expenses in relation to the new energy vehicles was now borne by the associate company, Wuling New Energy. Nevertheless, 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 2023 amounted to RMB67,782,000, which was moderately increased as compared to the corresponding period in 2022, primarily due to a moderate increase in the interest rates during the period.

Condensed Consolidated Statement of Financial Position

As at 30 June 2023, total assets and total liabilities of the Group stood at RMB15,771,604,000 and RMB12,871,025,000 respectively.

Non-current assets amounted to RMB4,594,181,000 comprised mainly property, plant and equipment, right-of-use assets, investment properties, 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 RMB118,575,000 arising from the acquisition of property, plant and equipment, depreciation charge of RMB176,208,000 and the decrease in fair value of investment properties of RMB9,170,000 incurred for the period under review.

Current assets amounted to RMB11,177,423,000 comprised mainly inventories of RMB1,114,189,000, trade and other receivables of RMB2,720,726,000, bills receivable at fair value through other comprehensive income of RMB4,247,242,000 (inclusive of bills receivable discounted with recourse but not yet matured amounting to RMB3,458,596,000), pledged bank deposits of RMB501,034,000 and bank balances and cash of RMB2,590,538,000. Amount due from SGMW, a related company and a key customer in the vehicles' power supply systems and automotive components and other industrial services of the Group amounted to RMB1,320,763,000 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 RMB11,206,503,000, comprised mainly trade and other payables of RMB6,802,171,000, contract liabilities of RMB205,956,000, lease liabilities of RMB73,751,000, provision for warranty of RMB89,968,000, bank and other borrowings — due within one year of RMB571,663,000 and advances drawn on bills receivable discounted with recourse of RMB3,462,994,000. The corresponding bills receivable discounted with recourse to these advances amounting to RMB3,458,596,000 were recorded as bills receivable at fair value through other comprehensive income as at 30 June 2023, which would be offset against upon maturity.

The Group recorded net current liabilities of RMB29,080,000 as at 30 June 2023, which was substantially decreased as compared to the net current liabilities of RMB932,681,000 as at 31 December 2022 due to the increase in long-term bank borrowings during the period.

Non-current liabilities amounted to RMB1,664,522,000 comprised mainly bank and other borrowings of RMB1,610,000,000, lease liabilities of RMB17,681,000, contract liabilities of RMB7,273,000 and deferred tax liability of RMB29,568,000.

Liquidity and Capital Structure

During the six months ended 30 June 2023, 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 also provided sources of finance to the Group through bill discounting activities and other borrowings at the most favourable terms offered in the market.

As at 30 June 2023, total bank and other borrowings were RMB2,181,663,000, which were slightly decreased as compared to the total balances of RMB2,248,780,000 as at 31 December 2022. Meanwhile, the outstanding advances drawn on bills receivable discounted with recourse also maintained at RMB3,462,994,000. The corresponding bills receivable discounted with recourse to these advances amounting to RMB3,458,596,000 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 RMB4,343,226,000 for providing the necessary fundings for its daily operations, in which approximately RMB226,255,000 were discounted to Guangxi Automobile.

Meanwhile, the Group maintained a relatively higher cash at bank balances (together with the pledged bank deposits) at RMB3,091,572,000 as compared to the position as at 31 December 2022. 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 2023.

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 RMB1,920,597,000 as at 30 June 2023. Net asset value per share was approximately RMB58.2 cents as at 30 June 2023.

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 2023, the three main business segments of the Group reported revenue of RMB11,395,962,000 (twelve months ended 30 June 2022: RMB13,490,873,000).

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 (six months ended 30 June 2022: 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. In addressing this issue, on 29 March 2023, Mr. Song Wei ("Mr. Song") was appointed as the chief executive officer of the Company who is responsible for the running of the executive functions of the Company.

During the six months ended 30 June 2023, 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 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 2023.

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. Xu Jinli (appointed on 9 June 2023), and non-executive Director, Mr. Li Zheng, 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 2023 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 2023 has also been reviewed by the Audit Committee.

RESIGNATION AND APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Due to his reaching the retirement age, Mr. Mi Jianguo ("Mr. Mi") resigned as an independent non-executive Director, the chairman of the remuneration committee of the Company (the "Remuneration Committee"), a member of each of the Audit Committee and the nomination committee of the Company (the "Nomination Committee") all with effect from the close of the annual general meeting of the Company on 9 June 2023.

To fill the causal vacancy from the resignation of Mr. Mi, Mr. Xu Jinli ("Mr. Xu") has been appointed an independent non-executive Director, the chairman of Remuneration Committee, a member of each of the Audit Committee, the Nomination Committee and the environmental, social and governance committee of the Company all with effect from the close of the annual general meeting of the Company on 9 June 2023.

INTERIM REPORT

The interim report for the six months ended 30 June 2023 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 Mingfeng as executive Directors, Mr. Li Zheng as non-executive Director and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Xu Jinli as independent non-executive Directors.

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

Hong Kong, 23 August 2023