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五菱汽車集團控股有限公司 WULING MOTORS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability) (股份代號 Stock Code : 305)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 together with the comparative figures of the corresponding period in 2020. 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 2021 — unaudited (Expressed in Renminbi Yuan (“RMB”))

		Six months ended 30 June	
		2021	2020
	NOTES	RMB'000	RMB'000
Revenue	3		
Goods and services		7,115,309	5,698,960
Rental		47,473	9,820
Total revenue		7,162,782	5,708,780
Cost of sales and services		(6,669,437)	(5,458,789)
Gross profit		493,345	249,991
Other income	5	92,261	79,477
Other gains and losses	4	(12,542)	(39,936)
Selling and distribution costs		(83,657)	(74,836)
General and administrative expenses		(351,535)	(256,800)
Research and development expenses		(117,973)	(102,796)
Impairment credit/(losses) under expected credit loss model, net of reversals of impairment losses		2,271	(15,962)
Share of results of associates		2,192	(11,038)
Share of results of joint ventures		(3,120)	(7,836)
Finance costs	5(a)	(62,777)	(118,684)
Loss before taxation	5	(41,535)	(298,420)
Income tax (expenses)/credit	6	(3,691)	4,395
Loss for the period		(45,226)	(294,025)

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

For the six months ended 30 June 2021 — unaudited (Expressed in RMB)

		Six months ended 30 June	
		2021	2020
	NOTES	RMB'000	RMB'000
Attributable to:			
Owners of the Company		(21,015)	(198,697)
Non-controlling interests		(24,211)	(95,328)
Loss for the period		(45,226)	(294,025)
Loss per share	7		
— Basic		RMB0.64 cents	RMB7.50 cents
— Diluted		RMB0.64 cents	RMB7.50 cents
Loss for the period		(45,226)	(294,025)
Other comprehensive income/(expense) for the period (after tax and reclassification adjustments):			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation surplus resulting from the change from property, plant and equipment and right-of-use assets to investment properties	8(a)	1,590	1,096
		1,590	1,096
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of operations outside Mainland China		(1,949)	(1,930)
Fair value (loss)/gain on bills receivable at fair value through other comprehensive income (“FVTOCI”)		(4,998)	3,897
		(6,947)	1,967
Other comprehensive (expense)/income for the period		(5,357)	3,063
Total comprehensive expense for the period		(50,583)	(290,962)
Attributable to:			
Owners of the Company		(25,039)	(197,587)
Non-controlling interests		(25,544)	(93,375)
		(50,583)	(290,962)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited (Expressed in RMB)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000 (Audited)
	NOTES		
Non-current assets			
Property, plant and equipment	8	3,214,953	3,287,648
Right-of-use assets	8	237,960	288,329
Investment properties	8	477,814	353,899
Interests in associates		282,704	280,512
Interests in joint ventures		177,054	180,170
Deposits paid for acquisition of property, plant and equipment		17,588	84,298
Equity instrument at FVTOCI		2,048	2,048
		<u>4,410,121</u>	<u>4,476,904</u>
Current assets			
Inventories		1,444,549	1,357,159
Trade and other receivables	9	2,599,695	3,752,413
Bills receivable at FVTOCI	10	3,703,981	4,177,028
Financial assets at fair value through profit or loss ("FVTPL")		50,000	—
Prepaid tax		2,409	11,200
Pledged bank deposits		676,340	681,745
Bank balances and cash		1,756,639	946,575
		<u>10,233,613</u>	<u>10,926,120</u>
Current liabilities			
Trade and other payables	11	7,009,980	7,581,995
Contract liabilities		229,054	497,840
Lease liabilities	8(b)	23,136	36,273
Provision for warranty	12	104,139	95,961
Bank and other borrowings	13	1,590,099	1,455,756
Advances drawn on bills receivable discounted with recourse	13	2,717,076	3,142,818
Financial liabilities at FVTPL		3,453	—
		<u>11,676,937</u>	<u>12,810,643</u>
Net current liabilities		<u>(1,443,324)</u>	<u>(1,884,523)</u>
Total assets less current liabilities		<u>2,966,797</u>	<u>2,592,381</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2021 — unaudited (Expressed in RMB)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000 (Audited)
	NOTES		
Non-current liabilities			
Contract liabilities		10,206	10,939
Lease liabilities	8(b)	4,998	6,977
Amount due to an associate		50,000	50,000
Bank and other borrowings	13	–	484
Deferred tax liabilities		29,888	30,945
		<u>95,092</u>	<u>99,345</u>
NET ASSETS		<u>2,871,705</u>	<u>2,493,036</u>
CAPITAL AND RESERVES			
Share capital	14	11,782	11,043
Reserves		1,875,549	1,463,522
		<u>1,887,331</u>	<u>1,474,565</u>
Equity attributable to owners of the Company		984,374	1,018,471
Non-controlling interests		<u>984,374</u>	<u>1,018,471</u>
TOTAL EQUITY		<u>2,871,705</u>	<u>2,493,036</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the Group’s current liabilities exceeded its current assets by approximately RMB1,443 million (31 December 2020: RMB1,885 million) as at 30 June 2021. The directors of the Company are of the opinion that, after due and careful enquiry taking into the continuous financial support provided from Guangxi Automobile Holdings Limited (“Guangxi Automobile”) and the financial resources available to the Group, including internally generated funds, the available banking facilities for issuance of bills payable and bank borrowings and assets available to pledge for obtaining further banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	<i>Notes</i>	For the six months ended	
		30 June	
		2021	2020
		RMB'000	RMB'000
Type of goods and services			
— Sales of engines and related parts and other power supply products	(a)	1,453,583	1,202,335
— Sales of automotive components and accessories	(b)	2,545,887	1,915,900
— Sales of specialized vehicles (including new energy vehicles)	(c)	2,606,796	2,333,941
— Trading of steels	(b)	460,067	182,033
— Provision of water and power supply	(b)	48,976	64,751
Revenue from contracts with customers within scope of HKFRS15		7,115,309	5,698,960
Revenue from gross rental income		47,473	9,820
		7,162,782	5,708,780
Timing of revenue recognition			
At point in time		7,066,333	5,634,209
Over time		96,449	74,571
Total		7,162,782	5,708,780
Geographical markets			
Mainland China		7,117,880	5,680,693
Others		44,902	28,087
		7,162,782	5,708,780

Notes:

- (a) These revenue has been classified as revenue under the vehicles' power supply systems segment in the segment information.
- (b) These revenue has been classified as revenue under the automotive components and other industrial services segment in the segment information.
- (c) These revenue has been classified as revenue under the commercial vehicles assembly (including new energy vehicles) segment in the segment information.

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

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

- Vehicles' power supply systems (formerly named "Engines and related parts") – Manufacture and sale of engines and related parts and other power supply products
- Automotive components and other industrial services – Manufacture and sale of automotive components and accessories, trading of steels, and provision of water and power supply services
- Commercial vehicles assembly (including new energy vehicles) (formerly named "Specialized vehicles") – Manufacture and sale of specialized vehicles
- Others – Property investment and others

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

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

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

	Vehicles' power supply systems <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Commercial vehicles assembly <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Six months ended 30 June 2020						
Revenue						
Revenue from external customers	1,202,335	2,162,684	2,333,941	9,820	–	5,708,780
Inter-segment revenue	<u>1,752</u>	<u>5,680</u>	<u>3,398</u>	<u>–</u>	<u>(10,830)</u>	<u>–</u>
Total	<u>1,204,087</u>	<u>2,168,364</u>	<u>2,337,339</u>	<u>9,820</u>	<u>(10,830)</u>	<u>5,708,780</u>
Segment (loss) profit (adjusted EBIT)	<u>(46,920)</u>	<u>(142,771)</u>	<u>14,696</u>	<u>4,752</u>		(170,243)
Bank interest income						30,374
Change in fair value of financial assets/ liabilities at FVTPL						(20,164)
Net exchange gain						21,118
Decrease in fair value of investment properties						(2,620)
Central administrative costs						(19,327)
Share of results of associates						(11,038)
Share of results of joint ventures						(7,836)
Finance costs						<u>(118,684)</u>
Loss before taxation						<u>(298,420)</u>

Seasonality of operation

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

For the twelve months ended 30 June 2021, the three main reportable segments of the Group reported revenue of RMB16,777,471,000 (twelve months ended 30 June 2020: RMB13,781,799,000).

4. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Impairment losses of property, plant and equipment	–	(35,000)
Decrease in fair value of investment properties	(3,327)	(2,620)
Fair value change of financial assets/liabilities at FVTPL	(3,453)	(20,164)
Net exchange (loss)/gain	(679)	21,118
Loss on disposal of property, plant and equipment	(5,466)	(2,111)
Others	383	(1,159)
	<u>(12,542)</u>	<u>(39,936)</u>

5. LOSS BEFORE TAXATION

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000

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

(a) Finance costs

Interests on:

— Bank and other borrowings	16,921	41,664
— Advances drawn on bills receivable	45,190	56,897
— Effective interest expenses on convertible loan notes	–	18,664
— Lease liabilities	666	1,459
	<u>62,777</u>	<u>118,684</u>

(b) Staff costs

Salaries, wages and other benefits

Contributions to defined contribution retirement plans

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and other benefits	502,446	319,470
Contributions to defined contribution retirement plans	47,578	16,037
	<u>550,024</u>	<u>335,507</u>

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
(c) Other items		
Depreciation charge		
— owned property, plant and equipment	175,408	160,016
— right-of-use assets	23,363	26,413
Impairment losses on property, plant and machinery	—	35,000
Write-down/(reversal of write-down) of inventories, net	10,273	(25,070)
Cost of inventories*	6,598,397	5,458,789
Bank interest income	(28,206)	(30,374)
Government grants	(22,746)	(17,051)

* Cost of inventories includes RMB459,598,000 (six months ended 30 June 2020: RMB316,596,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above.

6. INCOME TAX EXPENSES / (CREDIT)

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Tax charge/(credit) represents:		
PRC Enterprise Income Tax (“EIT”)		
Current tax	6,098	5,469
Withholding tax on dividend distribution	481	—
Overprovision in prior years	(1,550)	—
	5,029	5,469
Deferred tax		
Origination and reversal of temporary differences	(1,338)	(9,864)
	3,691	(4,395)

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

In accordance with the relevant PRC enterprise income tax laws, implementation regulations and guidance notes, certain subsidiaries in Mainland China are entitled to tax concessions whereby the profits of the subsidiaries are taxed at a preferential income tax rate. Liuzhou Wuling Motors Industrial Company Limited ("Wuling Industrial"), Liuzhou Wuling Liuji Motors Company Limited ("Liuji Motors"), Chongqing Zhuotong Motors Industrial Co. Ltd ("Chongqing Zhuotong") and Liuzhou Wuling Liuji Foundry Company Limited ("Liuji Foundry") are approved as enterprises that satisfied as a High-New Technology Enterprises ("HNTE") and entitled the preferential tax rate of 15% in 2018, 2019 and 2020. As at 30 June 2021, Wuling Industrial, Liuji Motors, Chongqing Zhuotong and Liuji Foundry are in the process of renewing for the qualification of HNTE for 2021, 2022 and 2023 and prepay for income tax at preferential tax rate of 15% during the transitional period of renewing. The Group expects to obtain the approval of HNTE for the aforementioned subsidiaries before 31 December 2021. Liuzhou Zhuotong Motors Industrial Co. Ltd ("Liuzhou Zhuotong") is applicable to the tax concession of the Western Development in PRC and entitled the preferential tax rate of 15% in 2020. As at 30 June 2021, Liuzhou Zhuotong is in the process of applying for the qualification of tax concession of the Western Development in PRC and expects to obtain the approval before 31 December 2021. Taxation of the Group's other subsidiaries in Mainland China are calculated using the applicable income tax rates of 25%.

The EIT Law also requires withholding tax of 5% or 10% upon distribution of profits by the PRC subsidiaries since 1 January 2008 to its overseas (including Hong Kong) shareholders.

During the period, deferred tax liabilities of RMB1,338,000 has been reversed (six months ended 30 June 2020: RMB7,783,000 has been reversed) in respect of the undistributed earnings of the Group's PRC subsidiaries and credit to profit or loss accordingly.

Hong Kong

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

No provision for taxation has been made as the Group did not earn any assessable income subject to Hong Kong Profits Tax for both periods.

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB21,015,000 (six months ended 30 June 2020: RMB198,697,000) and the weighted average number of 3,258,736,000 ordinary shares (six months ended 30 June 2020: 2,650,416,000 ordinary shares) in issue during the interim period, calculated as follow:

Weighted average number of ordinary shares

	For the six months ended 30 June	
	2021	2020
	'000	'000
Issued ordinary shares at 1 January	3,075,161	2,050,108
Effect of Rights Issue (<i>note 14(a)(i)</i>)	–	600,308
Effect of top-up placing and subscription exercise (<i>note 14(a)(ii)</i>)	183,575	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	3,258,736	2,650,416
	<hr/>	<hr/>

(b) Diluted loss per share

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2021 and 2020, and therefore, diluted loss per share is the same as the basic loss per share.

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

(a) Investment properties

During the current interim period, certain property, plant and equipment and right-of-use assets have been transferred to investment properties because their use have changed as evidenced by end of owner-occupation, a difference between the carrying amount of RMB142,895,000 and the fair value of RMB144,766,000 at the date of transfer of RMB1,871,000 (six months ended 30 June 2020: RMB1,289,000), less deferred tax impact of RMB281,000 (six months ended 30 June 2020: RMB193,000) has been recognized in other comprehensive income and accumulated in property revaluation reserve.

During the current interim period, the Group transferred investment property of RMB17,524,000 to other property, plant and equipment (six months ended 30 June 2020: nil) due to the termination of the leasing agreement and change of intention to own use.

The valuations of investment properties carried at fair value were updated at 30 June 2021 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2020 valuations.

As a result of the update, a net loss of RMB3,327,000 (six months ended 30 June 2020: RMB2,620,000) has been recognised in profit or loss for the period in respect of investment properties.

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

During the current interim period, the Group entered into new lease agreements for the use of leasehold lands, office, production facilities and warehouse properties for 1 to 5 years. The Group is required to make fixed payments. The Group recognized additions to right-of-use assets of RMB6,089,000 and the corresponding lease liabilities of RMB6,089,000 during the current interim period.

At 30 June 2021, the Group's carrying amounts of right-of-use assets are RMB237,960,000 and lease liabilities under current liabilities and non-current liabilities are RMB23,136,000 and RMB4,998,000, respectively.

(c) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB212,299,000 (six months ended 30 June 2020: RMB231,627,000). Items of property, plant and equipment with a net book value of RMB17,186,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB45,293,000), resulting in a loss on disposal of RMB5,466,000 (six months ended 30 June 2020: RMB2,111,000).

9. TRADE AND OTHER RECEIVABLES

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	<i>Notes</i>		
Trade receivables			
Related parties			
— SAIC-GM-Wuling Automobile Co., Limited (“SGMW”)	(a)	1,216,408	2,493,646
— Guangxi Automobile Group	(b)	102,315	30,837
— Liuzhou AAM Automotive Transmission System Co., Ltd. (“AAMJV”)	(c)	2,050	2,571
— Guangxi Weixiang Machinery Company Limited (“Guangxi Weixiang”)	(c)	56	389
— Faurecia (Liuzhou) Automobile Seating Co., Limited (“FL Seating”)	(d)	4,263	4,715
— Faurecia (Liuzhou) Automobile Interior System Co., Limited (“FL Interior”)	(d)	14,176	6,345
— Faurecia (Liuzhou) Emission Control Technologies Co., Limited (“FL Emissions”)	(d)	5,474	15,700
Subtotal of related parties		1,344,742	2,554,203
Third parties		1,017,058	875,479
		2,361,800	3,429,682
Less: Allowance for credit losses		(83,864)	(87,034)
		<u>2,277,936</u>	<u>3,342,648</u>
Other receivables		38,672	40,043
Less: Allowance for credit losses		(1,926)	(1,027)
		36,746	39,016
Prepayments	(e)	239,900	297,831
Value-added tax recoverable		45,113	72,918
Total trade and other receivables		<u>2,599,695</u>	<u>3,752,413</u>

Notes:

- (a) Guangxi Automobile has significant influence over SGMW.
- (b) Being Guangxi Automobile and its subsidiaries and associates other than the Group and SGMW (collectively referred to as the “Guangxi Automobile Group”).
- (c) Guangxi Weixiang and AAMJV are joint ventures of the Group.

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

(e) Included in the balance was an amount of RMB151,356,000 (31 December 2020: nil) paid to SGMW.

The Group allows an average 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 RMB2,277,936,000 (31 December 2020: RMB3,342,648,000) and an ageing analysis of trade receivables (net of allowance for credit losses), based on the invoice date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
0–90 days	2,129,254	3,051,048
91–180 days	109,569	262,863
181–365 days	31,672	17,538
Over 365 days	7,441	11,199
	<u>2,277,936</u>	<u>3,342,648</u>

10. BILLS RECEIVABLE AT FVTOCI

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bills receivable (<i>Note (a)</i>):		
Related parties		
— SGMW	458,121	20,600
— Guangxi Automobile Group	2,829	3,335
— AAMJV	313	–
— FL Interior	1,468	368
— FL Emissions	1,476	1,964
— FL Seating	325	–
	<u>464,532</u>	<u>26,267</u>
Subtotal of related parties	464,532	26,267
Third parties	522,737	1,002,234
	<u>987,269</u>	<u>1,028,501</u>
Bills receivable discounted with recourse (<i>Note (b)</i>)	2,716,712	3,148,527
	<u>3,703,981</u>	<u>4,177,028</u>

Notes:

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
0–90 days	872,188	880,076
91–180 days	113,349	142,125
181–365 days	1,732	6,300
	<u>987,269</u>	<u>1,028,501</u>

- (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 2021 RMB'000	At 31 December 2020 RMB'000
0–90 days	933,879	1,150,228
91–180 days	1,754,384	1,988,313
181–365 days	28,449	9,986
	<u>2,716,712</u>	<u>3,148,527</u>

11. TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
<i>Notes</i>		
Trade and bills payable:		
	(a)	
Related parties		
— SGMW	209,919	542,864
— Guangxi Automobile Group	121,656	40,404
— FL Seating	59,640	96,225
— FL Interior	86,085	43,954
— FL Emissions	96,912	104,805
— Other related companies	8,430	7,652
Subtotal of related parties	582,642	835,904
Third parties	5,703,130	5,928,446
	6,285,772	6,764,350
Value added and other tax payables	96,611	259,338
Accrued research and development expenses	120,570	95,062
Accrued staff costs	159,332	137,485
Deposits received from suppliers	40,819	31,728
Other payables	306,876	294,032
	(b)	
Total trade and other payables	7,009,980	7,581,995

Notes:

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

Trade payables

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
0–90 days	2,650,855	3,278,950
91–180 days	132,051	260,572
181–365 days	197,723	184,948
Over 365 days	214,357	233,766
	3,194,986	3,958,236

Bills payable

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
0–90 days	1,788,538	1,440,483
91–180 days	1,302,248	1,365,631
	<u>3,090,786</u>	<u>2,806,114</u>

- (b) Included in other payables are amount due to Guangxi Automobile Group of RMB 30,944,000 (31 December 2020: RMB19,548,000). The amount is non-trade nature, unsecured, interest-free and repayable on demand.

12. PROVISION FOR WARRANTY

	<i>RMB'000</i>
At 1 January 2020	77,530
Additional provision for the year	54,453
Utilization of provision	<u>(36,022)</u>
At 31 December 2020	95,961
Additional provision for the period	28,984
Utilization of provision	<u>(20,806)</u>
At 30 June 2021	<u>104,139</u>

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

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

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	<i>Notes</i>		
Bank borrowings		1,590,099	1,404,485
Other borrowings	(a)	<u>–</u>	<u>51,755</u>
		1,590,099	1,456,240
Analysis of bank and other borrowings:	(b)		
Secured		26,000	562
Unsecured		1,564,099	<u>1,455,678</u>
		1,590,099	1,456,240
Less: Amounts due within one year shown under current liabilities		<u>(1,590,099)</u>	<u>(1,455,756)</u>
Amounts shown under non-current liabilities		<u>–</u>	<u>484</u>
Advances drawn on bills receivable discounted with recourse	(c)	<u>2,717,076</u>	<u>3,142,818</u>

Notes:

- (a) The balance as at 31 December 2020 is due to Wuling (Hong Kong) Holdings Limited (“Wuling HK”) which is unsecured, carries fixed interest at 4.00% per annum and repayable in one year.
- (b) The bank borrowings as at 30 June 2021 were secured by bills receivable of RMB26,542,000. The bank borrowings as at 31 December 2020 were secured by investment property of RMB5,391,000.
- (c) The amount represents the Group’s other borrowings secured by the bills receivable discounted to banks or Guangxi Automobile with recourse (see note 10(b)). The balance includes RMB448 million discounted to Guangxi Automobile with recourse.
- (d) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings are as follows:

	At 30 June 2021	At 31 December 2020
Effective interest rate (per annum):		
Fixed-rate borrowings	0.50%–3.65%	1.60%–4.00%
Variable-rate borrowings	<u>n.a.</u>	<u>2.26%–4.55%</u>

14. SHARE CAPITAL AND DIVIDEND

(a) Share Capital

	Number of shares	Amount <i>HK\$'000</i>
Authorized:		
Ordinary shares of HK\$0.004 each	25,000,000,000	100,000
Convertible preference shares of HK\$0.001 each	<u>1,521,400,000</u>	<u>1,521</u>
Balance at 1 January 2020, 30 June 2020, 31 December 2020 and 30 June 2021		<u>101,521</u>
Issued and fully paid:		
Ordinary shares of HK\$0.004 each:		
As at 1 January 2020	2,050,107,555	8,200
Issue of new ordinary shares by Rights Issues (<i>note (i)</i>)	<u>1,025,053,777</u>	<u>4,101</u>
As at 30 June 2020 and 31 December 2020	3,075,161,332	12,301
Top-up placing and subscription exercise (<i>note (ii)</i>)	<u>223,000,000</u>	<u>892</u>
As at 30 June 2021	<u><u>3,298,161,332</u></u>	<u><u>13,193</u></u>
	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Shown in the condensed consolidated financial statements at the end of the reporting period	<u><u>11,782</u></u>	<u><u>11,043</u></u>

Notes:

- (i) The Group raised a total of approximately HK\$205.01 million, before expenses, on the basis of one (1) rights share (“Rights Share(s)”) for every two (2) ordinary shares of the Company (“Share(s)”) held on 21 February 2020 (i.e. the record date) by issuing 1,025,053,777 Rights Shares at the subscription price of HK\$0.20 per Rights Share to the qualified shareholders of the Company (the “Rights Issue”). The number of Shares increased to 3,075,161,332 after the Rights Issue.
- (ii) On 21 January 2021, the Company announced a top-up placing and subscription exercise under the general mandate obtained from the shareholders of the Company during the annual general meeting of the Company held on 30 June 2020. Upon which a total number of 223,000,000 new shares were issued at HK\$2.47 per share, raising a net proceeds of approximately HK\$537.8 million for the purposes of, inter alia, financing the research and development projects of the new model electric logistic vehicles of the Group and the repayment of certain interest-bearing short-term borrowings of the Company. This top-up placing and subscription exercise, which was completed on 1 February 2021, also helped to further strengthen the financial position of the Group.

(b) Dividend

The directors of the Company have determined that no dividend will be declared or paid in respect of the current interim period (six months ended 30 June 2020: nil).

During the current interim period, a final dividend of HK\$0.3 cents per share (six months ended 30 June 2020: HK\$0.3 cents per share) in respect of the previous financial year was declared to the owners of the Company. The aggregate amount of the final dividend declared during the current interim period amounted to HK\$9,894,000 (equivalent to RMB8,229,000) (six months ended 30 June 2020: HK\$9,225,000 or equivalent to RMB8,410,000) and has been paid subsequent to the interim period.

MESSAGES FROM THE BOARD OF DIRECTORS

PREFACE

We hereby present the unaudited results of Wuling Motors Holdings Limited (the “Company” and together with its subsidiaries the “Group” or “Wuling Motors”) for the six months ended 30 June 2021.

2021 marks the beginning of the country’s “14th Five-Year Plan”. With the gradual easing of the coronavirus outbreak in the PRC and the favourable factors on the back of the continuous overall recovery of the PRC economy since the second half of 2020, the market sentiment and the growth momentum of the economy had been relatively improved in the first half of 2021. However, the tough environment caused by the increasing complexity of the world economy, a declining growth rate of the global and domestic market and the uncertainties associated with the pandemic and supply chain issues continued to bring uncertainties to the business performance of the Group during the period. Nevertheless, the pliable and valuable experiences amassed by the Group from both favourable and adverse conditions in the automobile industry continued to guide us forward and bestow upon our people the conscientious and hardheaded attitude in pursuing the long term business goals of the Group under this unconventional dynamic and challenging environment.

Adhering to our corporate principles of “Entrepreneurship and Persistence”, we have been dedicated to taking our management measures to different business frontiers aiming at making breakthroughs in development, and continuously formulating appropriate strategies and expansion programmes for our core businesses including automotive components, vehicles’ power supply systems (formerly known as the engines and related parts) and commercial vehicles assembly (including new energy vehicles (formerly known as the specialized vehicles)). For the six months ended 30 June 2021, Benefited from a general recovery of the PRC economy and a gradual improvement in the market sentiment with the easing of the pandemic situation in the PRC, total revenue of the Group was RMB7,162,782,000, representing a significant increase of 25.5% as compared to the corresponding period in 2020.

Gross profit for the period under review was RMB493,345,000, representing a significant increase of 97.3% as compared to the corresponding period in 2020. This increase was however less satisfactory than our expectation due to certain unfavourable factors faced by the Group during the period. Affected by the increase in the cost of raw materials and the tightening supply of the semiconductor, operating costs and planned production schedule were being affected which put undesirable pressure on the gross profit performance of the Group. Owing to this, the gross profit margin achieved by the Group could only be improved to 6.9% during the first half of 2021.

The pressure from a lower profit margin was further aggravated by the increases in the administrative and research and development expenses of the Group which were partly attributable to the active implementation of new business projects (including the new energy vehicles projects) undertaken by the Group. A substantial increase in the staff costs driven by certain corporate expansion exercises and the absence of last year pandemic related government subsidies had also impeded the profitability performance of the Group during the period.

Hence, for the first half of 2021, the Group reported a net loss of RMB45,226,000, which however, representing a substantial 84.6% decrease as compared to the net loss of RMB294,025,000 for the corresponding period in 2020, whereas, the loss attributable to the owners of the Company also substantially decreased by 89.4% to RMB21,015,000, as compared to the loss attributable to the owners of the Company of RMB198,697,000 for the corresponding period in 2020.

MAIN ACHIEVEMENTS AND REVIEW

I Focusing on supply management, market expansion and recovery reinforcement in developing new drivers to promote transformation of the core businesses

Keen management of the components business in ensuring an uninterrupted supply of parts and exploring business opportunities by keeping abreast of the upcoming market potential

The automotive components and other industrial services division had to work out corresponding cost control measures due to the unfavourable impacts from rising raw material prices in the first half of the year. As regards business activities, the Group continued adopting the business model focusing on the profitability of different product modules, in order to keep abreast of the development needs of our main customer, SGMW. Through the collaboration between the local and overseas production bases of our components, our management focus on ensuring an uninterrupted supply of our components to our main customer, SGMW for its production of the existing Wuling and Baojun models, as well as the new energy vehicles, from which the strategic partnership with SGMW would be further strengthened. In the meantime, product technology upgrade and product innovation had also been accelerated to enhance the image of our component products, such that the share of our product supplies to other Chinese automobile manufacturers would continue to be increased. For instance, the Group undertook a new project to manufacture and supply frames and real axles for the pickup trucks of Great Wall Motor and other sheet metal products for other vehicles, from which the diversification of our component businesses was achieved and with appreciation in added value. This project had also actively paved the way for promoting our component products to the high-end markets. In the first half of 2021, our automotive components and other industrial services division achieved sale revenue of RMB3,054,930,000, representing an increase of 41.3% calculated on a year-on-year basis.

Repositioning and upgrading of engine business to accelerate the industrialization of new energy vehicles

The engines and related parts division was renamed as vehicles' power supply system division, marking the Group's repositioning to keep pace with the future development of the automobile industry. On the back of the swift launches of the National VI-compliant engines, the division prioritized the development of 1.2-2.0L engines featuring high cost performance and high thermal efficiency to accelerate product upgrade, actively research powertrain technologies and products for new energy vehicles, such as hybrid engines and electric motors for pure electric vehicles, succeeded in strengthening the core development capabilities for the integration of new energy vehicle powertrain system and in accelerating the pace of industrialization. Our hybrid powertrain system had begun to be used in the hybrid vehicles of SGMW, Anhui Jianghuai Automobile (JAC) and other automobile manufacturers in the first half of 2021. Aiming at taking up a prominent market share from these automobile manufacturers, this development had also provided a solid foundation for the Group in achieving the transformation and upgrade from a manufacturer of the traditional fuel-powered products to become a supplier of power supply system products for new energy vehicles. In the first half of 2021, vehicles' power supply system division registered revenue of RMB1,453,583,000, representing an increase of 20.9% calculated on a year-on-year basis.

Building market channels for commercial vehicles and taking multiple measures to expand our market share

In response to market development and competition, the Group had formulated diversified strategies for the commercial vehicles assembly division (formerly known as specialized vehicles division). New energy logistics vehicles, being our own proprietary products, was actively developed aiming at serving the specific needs from the market. The division sped up the pace to develop new energy logistics vehicles on the new G200/G050 platform to cater to the market demand with a list of differentiated products for enhancing our market competitiveness. We had so far set up 100 marketing outlets covering 26 provinces and municipalities across China. At the same time, efforts were also made to strengthen strategic partnership with dealers, promoting our brand influence in the industry, and swiftly building up a mature sale force for our new energy vehicles. Encouraging reception of our new energy vehicles was received in the market, from which the sales volume jumped 250% calculated on a year-on-year basis to approximately 4,100 vehicles in the first half of 2021, which was impressively equal to the sale volume of 2020 on a full year basis. Moreover, in combination of the businesses of the existing refitted vehicles, specialized vehicles and off-road vehicles, the Group formulated focused marketing strategies driven by the different market characteristics of different types of vehicle. The division signed an annual strategic cooperation agreement with JD.com, which had successfully pushed up the sale volume by 17% on a year-on-year basis.

Meanwhile, the Group had also established three product lines for refitted vehicles, specialized vehicles and off-road vehicles for further integration of the activities of sale, research and development, production and internal logistics of these products. From which, fine management of the production, sales and storage could be conducted with some specific function operated under a closed-loop management system. In the first half of 2021, total sales volume amounted to 59,600 vehicles, with a total revenue of RMB2,606,796,000, representing an increase of 11.7% calculated on a year-on-year basis.

II Managing investment and financing, improving efficiency and preventing risks, and making a new breakthrough in the Group's management efficiency

Strengthening the management and control of investment and financing, and increasing revenue and reducing expenses to contain operating costs

Centering on the strategic need of the development of new energy vehicles business, the Company raised a total of HK\$550 million (HK\$537.8 million, net of costs) in the capital market through a top-up placing exercise in early 2021 with the objective of promoting the development of the vehicle assembly business and, at the same time, to improve our liquidity position. On 27 May 2021, the Company was also included as a constituent stock in the MSCI China Small Cap Index.

Facing the market uncertainties and industry risks, the Group had imposed comprehensive risk control measures on the investment projects of each subsidiary. The Group strictly controlled project investment and exercised tight control over projects upon approval to ensure that the decision-making and implementation of our major investment projects were subject to scientific review and evaluation. While expenses on projects were also kept under tight control, attention was also concentrated on the management of different key projects, including the relocation projects of the production facilities of specialized vehicles and off-road vehicles, in order to achieve on-time, on-quality delivery and enhance project control ability. From which, a solid foundation would be established for the Group in implementation of our major investment plans in response to the industry development in future.

Strengthening digital transformation and integrating information to increase operational efficiency

With the goal of setting up a management system of a homegrown first-class enterprise, the Group set up a digital modern enterprise management model. Liuzhou Wuling Motors Industrial Company Limited (“Wuling Industrial”), our principal subsidiary, had officially established a branch Chehe Hulian* (車合互聯) in June 2021, aiming at providing a source of innovative ideas for the integration of new-generation information technologies, such as the Internet of Things, big data and intelligent manufacturing. Through conducting product research and the application innovation method, a value-based data management system was established to optimize a resource pool of intelligent solutions for the automotive industry, which would continuously deepen the SAP application, and improve the efficiency and level of corporate management and operation.

Intensifying efforts on safety production and pandemic prevention and control, and effectively protecting the lives of employees

The Group adhered to the “bottom lines” and “red lines” and normalized the safety production and pandemic prevention and control. We had strengthened responsibility, consolidated the foundation, fixed problems and actively identified and removed potential risks to ensure safety in production in the first half of 2021. No deaths and other major accidents occurred. No confirmed or suspected cases of COVID-19 was reported. We assumed the responsibility in pandemic prevention and control and encouraged vaccinations. Currently, the vaccination rate of the Group’s employees had met the government’s target (≥80%).

* For identification purposes only

Stepping up efforts on quality cost management, tapping internal resources and improving management

Strengthening quality management was included as one of the Group's key tasks this year. Through monthly business meetings and quality assurance meetings, the Group tightened the quality control of new products and the monitoring of high-risk processes of mass production to keep product quality under effective control, step up efforts on the certification of quality management system standards and maintenance of our quality system, and contain the rising cost caused by quality problems. Main emphasis was put on cost reduction and benefit improvement, the Group dug deep into optimizable/cost-cutting and benefit-improving projects, and continuously lowered manufacturing costs and costs incurred from new product development. Measures were taken to strengthen budget control, perform fine management from the aspects of "squeeze", "control", "purchase" and "evaluation", intensify the integration of internal resources, speed up the clean-up of inefficient and ineffective resources, for proper management of assets. We further strengthened the on-site inventory management, and checked the inventory in warehouses to identify existing problems and make suggestions, in order to improve the inventory management. During the period, the reduction of non-performing receivables, the disposal of non-performing inventories, and the disposal of inefficient and ineffective fixed assets had brought benefits to the Group at different extent.

III Focusing on core businesses, pushing forward with reforms and driving innovation to move the Group's reforms and development to a new stage

Continuously promoting innovation and highlighting innovation to gain development momentum

The Group persisted with innovation in products and qualification to meet market needs. Our key components of new energy vehicles, including coaxial electric axle and front-engine and rear-wheel drive system, were highly recognized in the market. The pre-development project of various new energy logistics vehicle platforms, development of light-duty single-decked container trucks, and development of frames, rear axles, control arms and other parts for Great Wall Motor had also provided valuable development experience and laid a solid foundation for the Group's follow-up expansion in the new energy vehicle business. Meanwhile, we had completed 67% of our annual target of patent applications, represented a year-on-year growth of 37% in patent applications.

PLANS AND MEASURES

I. Persisting with independent innovation and promoting market expansion

As far as our automotive components and vehicles assembly businesses, the Group persisted with independent innovation, intensified and accelerated product development based on market needs, actively promoted the commercialization of hybrid power systems and the development and the establishment of a new energy logistics vehicle platform, and continuously improved the core competitiveness of its products. Efforts were made to overcome the adverse effects of rising raw material prices to ensure the unremitting supply of components to our current automobile manufacturer customers, to acquire more clients by winning the orders and supplying components to other automobile brands including Great Wall Motor, JAC and BAIC Motor, and at the same time accelerated the building up of production capacity and the creation of sales channels for new energy vehicle projects.

II. Strengthening operation and management and promoting efficiency improvement

The Group insisted on the normalized management of production safety and pandemic prevention and control, and continuously strengthened quality and cost control to reduce the incidence of quality problems. We strengthened our project management capabilities to ensure on-time delivery of key projects. Focus was placed on the management of raw materials and inventories, which effectively achieved “three containments” in reducing costs and increasing benefits so as to improving the profitability of our products. Major emphasis was paid to tap internal resources, play synergistic effect, improve operation and management efficiency.

III. Pushing forward with reform and promoting high-quality development

According to the requirement of our overall strategic plan, the Group expedited measures associated with reform, crossed rigidity and broke through development barriers. We urged subsidiaries to mitigate losses. In addition, we accelerated the implementation of measures of deepening reforms and strengthening management and strived to elevate our management to a world-class level, in a bid to achieve high-quality development.

Through conscientious plans and efforts of the Group, the management is confident that our long term business potential in the automobile industry in China will continue to be strengthened. With the continuous supports from Guangxi Automobile, our ultimate controlling shareholder and joint venture partner, and our customers, we firmly believe the business prospect of the Group is promising and will bring rewards to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review — By Key Business Segments

The business performance and evaluation of the Group's three main business segments namely (1) vehicles' power supply systems (formerly known as engines and related parts); (2) automotive components and other industrial services; and (3) commercial vehicles assembly (formerly known as specialized vehicles) for the first half of 2021 are detailed below:

Vehicles' Power Supply Systems

The division which was formerly named as “Engines and Related Parts” was renamed as “Vehicles' Power Supply Systems” to mark the strategic and technological refocus of this business segment from the traditional vehicles' engines manufacturer into a comprehensive power supply systems and solutions supplier covering different types of vehicles, including the new energy vehicles.

Total revenue (based on external sales) of the vehicles' power supply systems division for the six months ended 30 June 2021 was RMB1,453,583,000, representing an increase of 20.9% as compared to the corresponding period in 2020, which was primarily attributable to continuous improvement in the sale volume of the National VI standard engine sets by the division.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited (“Wuling Liuji”), for the first half of 2021 was approximately 105,000 units, representing an increase of approximately 14.1% as compared to the corresponding period in 2020 which amounted to 92,000 units.

During the period, sales to SGMW, our core customer, amounted to approximately RMB570,551,000, representing a decrease of 6.9% as compared to the corresponding period in 2020. which was primarily due to the decrease of the sale of the NP18 model to SGMW for their Capacity 1.8L vehicle models, which amounted to approximately 34,000 units as compared to approximately 42,000 units achieved in the corresponding period in 2020.

Irrespective of the continuous improvement in the sale volume of the National VI standard engine sets, an operating loss of RMB40,531,000 was recorded during the period due to the low gross profit margin as affected by the increase in the cost of raw materials and the tightening supply of the semiconductor which caused disruption in planned production schedule. Besides, increases in administrative and research and development expenses were incurred due to the continuous launches of new products and the implementation of various technological upgrade and enhancement projects for the new energy vehicles projects had also affected the profitability performance of the division.

As a long standing industry leader in the manufacturing of engines for the various types of vehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Recently, benefited from the regulatory upgrade requirement of the national standard of motor vehicles in China (i.e., the upgrading from National V to National VI standard), sales to other customers, primarily National VI standard engine sets with capacity range from 1.0L to 1.6L, continued to achieve a steady growth and increased to approximately RMB883,032,000 for the period, which accounted for approximately 61% of the total revenue of this division.

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 also actively undertaken development projects for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles 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 are also formulated aiming at expanding our customer bases in the commercial and passenger vehicles segment. After the recent completion of the highly-automated production facilities designated for the NPT20 model, 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. At the back of the competitive strength and knowhow of the cooperative partner in their respective automobile and electric motor control system industry, the division enjoyed a speedy development in this great potential business segment, where the first batch of the Group's electric motor control system products applicable for electric vehicles were developed and completed. Construction of the new production line for the mass production of the Group's electric motor control system products and related components for new energy vehicles was completed in May 2020. The Group had already submitted sample products to several potential customers during the last quarter of 2020 and is currently planning for a scale production of the electric motor control system and related components for the key customers in the near future.

Facing the imminent massive changes to be taken place in the automobile industry, the vehicles' power supply systems division has also formulated appropriate strategy towards to this new energy era by positioning ourselves as an enterprise serving power supply solutions to the car manufacturers. Hence, the scope of products the division aims at developing and supplying would cover a comprehensive range of products, including the traditional petrol engines in compliance with the high recognition of environmental protection standard, power supply solutions for hybrid model vehicles, as well as the related key components for the power supply systems of electric vehicles and other new energy vehicles.

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 2021 was RMB3,054,930,000, representing a substantial increase of 41.3% as compared to the corresponding period in 2020, during the time the business and operation was severely affected by the outbreak of the COVID-19. However, due to the increase in the cost of raw materials and the tightening supply of semiconductor which caused impacts in planned production schedule, gross profit performance of the division of the division was under pressure during the first half of 2021. Meanwhile, continuous internal management optimization and improving efficiency had also contributed to the business performance of the division. Owing to this, the division achieved an operating profit of RMB12,424,000 as compared to the operating loss of RMB142,771,000 as reported in the corresponding period in 2020.

The automotive components and other industrial services division, undertaken by our subsidiary, Wuling Industrial, continued to be the key supplier for supplying a majority portion of the key automotive components to SGW. During the period, due to the easing of the COVID-19 issue since the second half of 2020, sales to SGW through the Group or our associated companies, comprised the range of products including the brake and the chassis assembly components, body parts, interior and exterior trims such as, seat sets, cockpits, bumpers, etc, were all experienced different extent of increase. Meanwhile, the division continued to undertake various business expansion programmes in further expanding its customer base of the automotive components products, which were progressing satisfactorily and were gradually contributed to the business performance of the division during the period.

With our long and established industry experiences, the automotive components and other industrial services division of the Group is particularly strong in product design and development. Our capability in supplying a wide range of products provides a one-stop shop services to the customers, whereas, the scalability of its production facilities ensures the particular needs of our customers can be properly taken care of. For further expansion of the business volume and the improvement of profitability, the component products of the division had shifted our focus to the commercial and passenger vehicles segment, which covered primarily the MPV and SUV segments, pickup trucks as well as the new energy vehicles.

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

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 Guizhou, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future.

To cope with the existing and the future business opportunities, the Group had actively undertaken capacity expansion and upgrading programmes across its main production bases. With respect to the Liuzhou region, besides the production base located in the Liudong district which is specifically constructed for the production of automotive components for passenger vehicles, the Group's largest production facility located in Hexi Industrial Park, Liuzhou was also revamped to prepare for the business opportunities arising from the new models of vehicles from SGMW and other new customers. Meanwhile, Wuling Industrial had also formulated development plans for the other two main production facilities in the PRC, i.e. the production facilities located in Qingdao and Chongqing, in order to cope with the demands from our long term customer SGMW, as well as other new customers in that regions. Following the completion of these 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 car manufacturers.

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

Despite the COVID-19 issue, the Group's overseas production plants in Indonesia and India were able to deliver sets of satisfactory results during the first half of 2021. 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, with an initial planned production volume of 100,000 sets/units per annum, was operating at the break-even level during the period as compared to a net operating loss in the corresponding period in 2020. The Group remains confident 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 improve gradually.

Meanwhile, the production plant of the Group in India, which had 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 2021.

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

Commercial Vehicles Assembly

The division which was formerly named as "Specialized Vehicles" was renamed as "Commercial Vehicles Assembly" to mark the strategic and technological refocus of this business segment from the "redecorated-based" operation model into a car assembly enterprise with its own proprietary designed vehicles, specializing in the commercial use (including the new energy) vehicles.

Total revenue (based on external sales) of the commercial vehicles assembly division undertaken by Wuling Industrial for the six months ended 30 June 2021 was RMB2,606,796,000, representing a moderate increase of 11.7% as compared to the corresponding period in 2020. Continuous launches of new models of vehicles, including the electric vehicles and other redecorated vehicles ensured a steady growth in business volume irrespective of the highly competitive business environment. Operating profit for the six months ended 30 June 2021 was RMB12,525,000, representing a decrease of 14.8% as compared to the corresponding period in 2020. Lower gross profit margin due to the increasing raw materials cost and the small volume of production of new models impeded the profitability performance of the division during the period.

During the six months ended 30 June 2021, Wuling Industrial sold approximately 59,600 different models of vehicles, representing a moderate increase as compared to the corresponding period in 2020. In which, the sale volume of redecorated vans and other types of vehicles (primarily sightseeing vehicles and electric logistic vehicles) were approximately 53,600 and 6,000 respectively, amongst which approximately 5,000 vehicles were new energy vehicles, comprising primarily 4,100 electric logistic vehicles.

Due to proactive marketing strategies and continuous launches of new models benefited the business volume of the division from which the momentum of the sale volume of redecorated vans was maintained and the Group continued to rank as the leading supplier in this market segment. The division continued to experience an impressive increase in the sale volume of electric vehicles contributed primarily from the electric logistic vehicles which received encouraging reception from the market since its official launch in last year. Meanwhile, Wuling's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and continue to receive positive feedback from the market.

Operating margin declined to 0.5% for the period due to the above mentioned unfavourable factors and the additional marketing costs incurred in the launches of new models. Besides, high portion of redecorated vans having low profit margin, competitive pricing strategy and increasing production costs resulting from product upgrades and improvements continued to limit the profitability performance of the division. Nevertheless, as a leading manufacturer in this niche market, the Group is confident that the profitability of this division will eventually be improved due to the increasing sale volume of higher-end products in the market in consequence of the increasing customers' preferences towards higher quality products where the Group is working towards strategically.

The 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 logistics vehicle, etc. The customers range from government departments, public institutes, private enterprises with different size of operation to private individuals. Products are mainly sold in the domestic market covering the major provinces and cities across the country and the overseas markets.

The capability of the commercial vehicles assembly division is originated from the long standing industry experiences of Wuling. In fact, the models designed and developed by the Group are mainly branded as “Wuling”, which is a benchmark of quality products and services in the market in itself. Besides, in line with the national policies relating to environment protection and the promotion of clean energy, the division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Being the primary focus of development of the division, certain electric vehicle products of the Group, including electric logistic vehicles, electric sightseeing buses and other electric vehicles, had started to gradually launch to the market.

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

Over the years, the Group had unremittingly developed new models of vehicles for commercial use with improved quality and added features in response to market demands and enhanced regulatory standards, such as the hot-selling side-open container wagon (stall car), electric logistic vehicle and the refrigerated truck. The Group is confident that the launches of these new models will be beneficial to the profitability 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 commenced the construction of a production plant for the assembly of commercial vehicles in the production facilities in Chongqing, completion of 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. In addition, our parent company, Guangxi Automobile Holdings Limited, had also initiated the construction of a production base for the new energy vehicle in the Liuzhou district recently, with a targeted annual production capacity of 200,000 vehicles. We believe this new production capacity for new energy vehicles would provide a strategic back up to the Group in grasping the future business potential from the new energy vehicles assembly business.

Besides our proactive marketing strategies and continuous launches of new models, our focus on delivery of a high standard of customer services with prompt responsiveness to customers' feedbacks are also important in further promoting our business potential in the commercial vehicles segment. The extensive operations of our service stations across the country keep us abreast of market trend and development in the industry for deriving the suitable business strategy for the commercial vehicles assembly division. The consecutive impressive growth in business volume in recent years essentially demonstrated the positive impact from these multi-dimensional strategy, which enables the Group to head towards the essential breakthrough in this segment.

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, primarily the new energy vehicles on the back of the favourable government policy and economic environment.

Going forward, the commercial vehicles assembly division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment on the new energy vehicles.

Performance of Joint Ventures and Associates

Liuzhou Lingte Motor Technology Company Limited ("Liuzhou Lingte"), which was formed by Wuling Liuji with IAT Automobile Technology Co., Ltd., for purpose of developing and pursuing the businesses of the proprietary V6 cylinder engine products, continued to make some progress during the six months ended 30 June 2021. Following the completion of a capital increase exercise in the second half of 2020, the respective shareholding interests held by Wuling Liuji was decreased to 29.9%. Meanwhile, business volume, primarily the 3.0L Advanced Model, continued to pick up was gradually through appropriate marketing and promotion programmes. During the six months ended 30 June 2021, Liuzhou Lingte registered total revenue of RMB32,505,000, which had already surpassed the total revenue of RMB24,125,000 achieved in the full year of 2020. Whereas, net operating loss was significantly reduced by 74.2% to RMB1,805,000 as compared to the corresponding period in 2020, in which a loss of RMB540,000 was attributable to the Group. The Group considers the successful launches of the V6 products by Liuzhou Lingte to the market will continue to benefit its business performance in future.

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 RMB354,898,000 for the first half of 2021, representing a year-on-year increase of 23% as compared to the corresponding period in 2020. However, due to the adverse impact from a higher raw materials cost, net operating profit was decreased by 28% to RMB3,911,000, in which a profit of RMB1,955,000 was attributable to the Group.

FL Seating which is be 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 fourth year of operation in 2021. It is expected that 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. FL Seating, which operation was primarily facilitated by the transfer of machinery and equipment, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial in Liuzhou and Qingdao, experienced a significant improvement in its operation during the six months ended 30 June 2021 primarily due to the easing of the COVID-19 issue. During the period under review, FL Seating registered a total revenue of RMB127,173,000, from which a small net operating profit of RMB243,000 was achieved as compared to the net operating loss of RMB6,026,000 incurred in the corresponding period in 2020. Out of the net operating profit, RMB121,000 was attributable to the Group for the first half of 2021.

FL Interior which is be 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 fourth year operation in 2021. It is expected that 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. FL Interior, which operation was also primarily facilitated by the transfer of machinery and equipment, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial in Liuzhou and Qingdao, experienced certain recovery in its business activities as FL Seating as abovementioned during the six months ended 30 June 2021. During the period under review, FL Interior registered a total revenue of RMB184,175,000 and achieved a net operating profit of RMB2,471,000 as compared to the net operating loss of RMB15,627,000 incurred in the corresponding period in 2020. Out of the net operating profit, RMB1,236,000 was attributable to the Group for the first half of 2021.

FL Emission which is be 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 third year operation in 2021. It is expected that the co-operation with Faurecia Group will provide essential technical support to the Group in further promoting its business opportunities in these types of products from SGMW as well as other new customers. FL Emission, which operation was also primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of automotive emissions control system products located in Liuzhou and the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou experienced certain recovery in its business activities as FL Seating and FL Interior as abovementioned during the six months ended 30 June 2021. During the period under review, FL Emission registered a total revenue of RMB271,030,000 and achieved a net operating profit of RMB1,671,000 as compared to the net operating loss of RMB424,000 incurred in the corresponding period in 2020. Out of the net operating profit, RMB835,000 was attributable to the Group for the first half of 2021.

AAM JV, which is owned as to 50% by Wuling Industrial and 50% by American Axle & Manufacturing, Inc. (“AAM International”) and occupies the highly automated “Smart Factory” under the third phase development of the Liudong Facilities, for the purpose of developing and pursuing the business of the manufacturing and sales of driveline products business, which includes the independent drive axles, propshafts and other driveline products, driveheads for high-end Salisbury axles or banjo axles, e-drive units for new energy vehicles, and other driveline components for motor vehicles has entered into its third year of operation in 2021. It is expected that the co-operation with AAM International will enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high-end passenger vehicles, from which the joint venture company could serve as a platform to co-operate on and operate vertical rear axles, transmission axles and other business, furthering the technology development of vehicle axle products. During the six months ended 30 June 2021, due to the disruption caused by the COVID-19 in the first half of 2020, the planned projects of AAM JV had been delayed. As a result, AAM JV could only manage a total revenue of RMB11,306,000, from which a net operating loss of RMB8,102,000 continued to incur in the first 2021 as compared to the net operating loss of RMB12,773,000 incurred in the corresponding period in 2020. Out of the net operating loss, an amount of RMB4,051,000 was attributable to the Group for the first half of 2021.

Financial Review

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Group's total revenue for the six months ended 30 June 2021 was RMB7,162,782,000, representing a significant increase of 25.5% as compared to the corresponding period in 2020. Benefited from the gradual easing of the coronavirus outbreak in the PRC and the favourable factors on the back of the continuous overall recovery of the PRC economy since the second half of 2020, the revenue of the all main business segments of the Group, namely the vehicles' power supply systems division, the automotive components and other industrial services division and the commercial vehicles assembly (including new energy vehicles) division were increased during the first half of 2021 as compared to the corresponding period in 2020, during the time the business and operation was severely affected by the outbreak of the COVID-19.

Gross profit for the period under review was RMB493,345,000, representing a significant increase of 97.3% as compared to the corresponding period in 2020. This increase was however less satisfactory than our expectation due to certain unfavourable factors faced by the Group during the period. Affected by the increase in the cost of raw materials and the tightening supply of semiconductor, operating costs and planned production schedule were being affected which put undesirable pressure on the gross profit performance of the Group. Owing to this, the gross profit margin achieved by the Group could only be improved to 6.9% during the first half of 2021.

The pressure from a lower profit margin was further aggravated by the increases in the administrative and research and development expenses of the Group which were partly attributable to the active implementation of new business projects (including the new energy vehicles projects) undertaken by the Group. A substantial increase in the staff costs driven by certain corporate expansion exercises and the absence of last year pandemic related government subsidies had also impeded the profitability performance of the Group during the period.

Hence, for the first half of 2021, the Group reported a net loss of RMB45,226,000, which however, representing a substantial 84.6% decrease as compared to the net loss of RMB294,025,000 for the corresponding period in 2020, whereas, the loss attributable to the owners of the Company also substantially decreased by 89.4% to RMB21,015,000, as compared to the loss attributable to the owners of the Company of RMB198,697,000 for the corresponding period in 2020.

Accordingly, basic loss per share for the six months ended 30 June 2021 was RMB0.64 cents, which was significantly improved as compared to the basic loss per share of RMB7.50 cents as recorded in the corresponding period in 2020.

Other income comprised primarily bank interest income, government grants, sales of scrap materials and parts and other sundry income was in aggregate RMB92,261,000 for the six months ended 30 June 2021, representing an increase of 16.1% as compared to the corresponding period in 2020 due to increase in government grants and other sundry income.

Other gains and losses amounted to a net loss of RMB12,542,000 for the six months ended 30 June 2021, which comprised primarily the combined results of the loss on disposal of certain property, plant and equipment amounting to RMB5,466,000, decrease in fair value of investment properties amounting to RMB3,327,000 and loss on fair value change of financial assets/liabilities at fair value through profit or loss of RMB3,453,000.

Share of results of associates reported a total net operating profit of RMB2,192,000 for the six months ended 30 June 2021 representing primarily the net operating profits attributable to the three associates formed with the Faurecia Group, namely FL Seating, FL Interior and FL Emission. Benefited from the gradual easing of the coronavirus outbreak in the PRC and the favourable factors on the back of the continuous overall recovery of the PRC economy since the second half of 2020, the business performance of these three associates have been gradually improving in the first half of 2021.

Share of results of joint ventures reported a total net operating loss of RMB3,120,000 for the six months ended 30 June 2021, which were mainly attributable to the net operating losses of Liuzhou Lingte and AAMJV, both of which however indicated certain extent of improvement in operation during the first half of 2021, whereas, Guangxi Weixiang 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 RMB83,657,000 for the six months ended 30 June 2021, representing an increase of 11.8% as compared to the corresponding period in 2020 which was in line with the increase in business volume during the first half of 2021.

General and administrative expenses of the Group comprised primarily salary and allowances, various insurance expenses, rental expenses and other administrative expenses were in aggregate RMB351,535,000 for the six months ended 30 June 2021, representing a substantial increase of 36.9% as compared to the corresponding period in 2020. The increase was mainly attributable to a substantial increase in the staff costs driven by certain corporate expansion exercises and the absence of last year pandemic related government subsidies during the period. Facing the tough and highly competitive business environment, the Group had continued to implement various cost control measures in containing the general and administrative expenses of the Group aiming at alleviating the adverse impact from a tightening gross profit margin and promoting competitiveness and efficiency.

Research and development expenses for the six months ended 30 June 2021 amounted to RMB117,973,000, representing an increase of 14.8% as compared to the corresponding period in 2020 due to continuous launches of new products and the implementation of certain technological upgrade and enhancement projects by the Group. In cooperation with customers and business partners, research and development programmes for new products were unremittingly implemented during the period aiming at taking the advantages of the solid recovery of the business environment since the second half of 2020 and the tremendous business opportunities associated with new energy vehicles. Nevertheless, the Group will continue to prudently carry out research and development projects in accordance with the strategic plan in furthering its future business opportunities.

Finance costs for the six months ended 30 June 2021 amounted to RMB62,777,000, representing a significant decrease of 47.1% as compared to the corresponding period in 2020 due to lower interest rates and decreases in borrowings and bill discounting activities by the Group during the period. Besides, the finance cost arisen from the convertible loan notes issued by the Company was also no longer applied in the first half of 2021 upon its maturity in May 2020.

Condensed Consolidated Statement of Financial Position

As at 30 June 2021, total assets and total liabilities of the Group stood at RMB14,643,734,000 and RMB11,772,029,000 respectively.

Non-current assets amounted to RMB4,410,121,000 comprised mainly property, plant and equipment, right-of-use assets, investment properties, right-of-use assets, interests in joint ventures and associates, etc.

Current assets amounted to RMB10,233,613,000 comprised mainly inventories of RMB1,444,549,000, trade and other receivables of RMB2,599,695,000, bills receivable at fair value through other comprehensive income of RMB3,703,981,000 (inclusive of bills receivable discounted with recourse but not yet matured amounting to RMB2,716,712,000), financial assets at fair value through profit or loss amounting to RMB50,000,000, pledged bank deposits of RMB676,340,000 and bank balances and cash of RMB1,756,639,000. Amount due from SGMW, a related company and a key customer in the engines and automotive components businesses of the Group amounted to RMB1,216,408,000 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 RMB11,676,937,000, comprised mainly trade and other payables of RMB7,009,980,000, contract liabilities of RMB229,054,000, lease liabilities of RMB23,136,000, provision for warranty of RMB104,139,000, bank and other borrowings — due within one year of RMB1,590,099,000 and advances drawn on bills receivable discounted with recourse of RMB2,717,076,000. The corresponding bills receivable discounted with recourse to these advances amounting to RMB2,716,712,000 were recorded as bills receivable at fair value through other comprehensive income as at 30 June 2021, which would be offset against upon maturity.

The Group recorded net current liabilities of RMB1,443,324,000 as at 30 June 2021, which was decreased as compared to the net current liabilities of RMB1,884,523,000 as at 31 December 2020, due to primarily the completion of a top-up placing and subscription exercise under the general mandate on 1 February 2021. Upon which a total number of 223,000,000 new shares were issued at HK\$2.47 per share, raising a net proceeds of approximately HK\$537.8 million (equivalent to approximately RMB446.0 million) to the Company.

Non-current liabilities amounted to RMB95,092,000 comprised mainly lease liabilities of RMB4,998,000, contract liabilities of RMB10,206,000, deferred tax liability of RMB29,888,000 and amount due to an associate of RMB50,000,000.

Liquidity and Capital Structure

During the six months ended 30 June 2021, the operating and investing activities of the Group were mainly satisfied by the financing activities of the Group through the drawdown of bank borrowings and the bills receivable discounted.

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

As at 30 June 2021, total bank balances and cash maintained by the Group amounted to RMB1,756,639,000. Besides, pledged bank deposits amounting to RMB676,340,000 were also maintained to secure the banking facilities offered to the Group (mainly bills payable facilities).

As at 30 June 2021, the outstanding advances drawn on bills receivable discounted with recourse maintained at RMB2,717,076,000 during the period. The corresponding bills receivable discounted with recourse to these advances amounting to RMB2,716,712,000 were recorded as bills receivable at fair value through other comprehensive income which would be offset against upon maturity.

Resulting from the completion of the top-up placing and subscription exercise under the general mandate on 1 February 2021 by the Company as below mentioned, at 30 June 2021 the Group's unaudited net current liabilities amounted to RMB1,443,324,000, representing a decrease of approximately 23.4% as compared to the Group's audited net current liabilities of RMB1,884,523,000 as recorded at 31 December 2020.

On 21 January 2021, the Company announced a top-up placing and subscription exercise under the general mandate obtained from the shareholders of the Company during the annual general meeting of the Company held on 30 June 2020. Upon which a total number of 223,000,000 new Shares were issued at HK\$2.47 per Share, raising a net proceeds of approximately HK\$537.8 million (equivalent to approximately RMB446.0 million) for the purposes of, inter alia, financing the research and development projects of the new model electric logistic vehicles of the Group and the repayment of certain interest-bearing short-term borrowings of the Company. This top-up placing and subscription exercise, which was completed on 1 February 2021, would also help to further strengthen the financial position of the Group.

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 RMB1,887,331,000 as at 30 June 2021. Net asset value per share was approximately RMB57.2 cents as at 30 June 2021.

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 Cyclicalities 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 2021, the three main business segments of the Group reported revenue of RMB16,777,471,000 (twelve months ended 30 June 2020: RMB13,781,799,000).

INTERIM DIVIDEND

The Board did not recommend the declaration of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. During the six months ended 30 June 2021, the Company confirmed that it has fully complied with all the code provisions on Corporate Governance Practices Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange which sets out the principles of good corporate governance and the code provisions.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code, as amended from time to time. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Own Code and the Model Code throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

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

At the request of the Audit Committee, the Company’s auditors, KPMG, had carried out a review of the unaudited interim financial information of the Group for the six months ended 30 June 2021 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 2021 has also been reviewed by the Audit Committee.

INTERIM REPORT

The interim report for the six months ended 30 June 2021 containing all information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.wuling.com.hk respectively in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Yuan Zhijun (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Yang Jianyong and Mr. Wei Mengfeng as executive Directors, and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive Directors.

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

Hong Kong, 31 August 2021