



俊山五菱汽車集團有限公司
Dragon Hill Wuling Automobile Holdings Ltd.

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

[For Immediate Release]

DH Wuling Auto Announces 2009 Interim Results
***** Revenue Increased 31% to RMB4.81 Billion *****

Results Highlights

- Revenue reached RMB4,814 million, up 31%
- Gross profit was RMB404 million, up 21%
- An extraordinary loss of RMB61.4 million derived from the increase in the fair value of the derivative financial instrument embedded with the outstanding convertible notes was recorded. However, as a non-cash item, such loss will have no material adverse impact on the operating cashflow of the Group
- Taking into account of the change in fair value of the derivative financial instrument embedded with the convertible notes, profit for the period of RMB29.9 million and loss attributable to the equity holders of the Company of RMB41.4 million were reported
- On the basis of the exclusion of the fair value adjustment, profit for the period and profit attributable to the equity holders of the Company were RMB91.3 million and RMB20 million respectively
- Total assets and net assets as at 30 June 2009 were RMB7,195 million and RMB656 million respectively
- Cash and cash equivalents as at 30 June 2009 were RMB771 million

(21 September 2009, Hong Kong) Dragon Hill Wuling Automobile Holdings Limited (“DH Wuling Auto” or the “Group”, Stock code: 305), a leading commercial-type mini-vehicle engines and components manufacturer in China, today announced its interim results for the six months ended 30 June 2009.

The Group recorded total revenue of RMB4,814 million for the period ended 30 June 2009, representing a significant increase of 31% as compared to the corresponding period in 2008. Gross profit for the period under review was RMB404 million, up 21%.

An extraordinary loss of RMB61.4 million derived from the increase in the fair value of the derivative financial instrument embedded with the outstanding convertible notes was recorded. However, as a non-cash item, such loss will have no material adverse effect on the operating cashflow of the Group. Taking into account of the change in fair value of the derivative financial instrument embedded with the convertible notes, profit for the period of RMB29.9 million and loss attributable to the equity holders of the Company of RMB41.4 million were reported. Basic loss per share was RMB4.52 cents. On the basis of the exclusion of the fair value adjustment, profit for the period and profit attributable to the equity holders of the Company were RMB91.3 million and RMB20 million respectively. Basic earnings per share were RMB2.18 cents. The Board does not recommend the payment of a dividend for the period ended 30 June 2009.

Mr. Lee Shing, Chairman of DH Wuling Auto, said, “On the back of the stimulus programs implemented by the government, the performance of the China automobile industry had been significantly improved in the first half of 2009. Total motor vehicles sold in the first half of 2009 reached 6.1 million, representing an 18% growth on a year-on-year basis, in which the mini-vehicles sector alone achieved an impressive growth rate of 55% .”

Business Review

Engines and Parts – Wuling Liuji

The engines and parts division continued to be the major contributor to the Group’s operating profits for the period under review. Turnover (based on external sales) of the engines and parts division was RMB1,622 million, up 9% as compared to the corresponding period in 2008. Operating profits for the period reached RMB80.4 million, representing a significant increase of 22% as compared to same period of last year.

During this six months period, Wuling Liuji continued to deliver a set of solid results to the Group. The satisfactory results achieved by Wuling Liuji were mainly attributable to the continuous strong market demands for the main models. Total sale volume was approximately 350,000 units, with 90% of which were sold to SAIC-GM-Wuling Automobile Co., Limited (“SGMW”).

Automotive Components – Wuling United

The automotive components division experienced a strong growth in revenue in the first half of 2009 and became the largest contributor to the total revenue of the Group. Turnover (based on external sales) of the automotive components division for the period was RMB2,508 million, up 52% as compared to the same period of last year. Operating profit was RMB12.6 million.

During the period, Wuling United, being the key supplier supplying a majority portion of the key automotive components to SGMW, registered another significant revenue growth figure. This remarkable result was mainly attributable to the continuous strong market demands for the vehicles produced by SGMW. Total sale volume was approximately 480,000 units/sets, equivalent to nearly 80% of the total volume for the year 2008, in which components supplied to SGMW accounted for more than 95% of the total turnover.

Profitability performance was, on the other hand, adversely affected by the loss making situation of the Qingdao factory caused by a sudden surge in demands and the initial stage operations of this new facility which resulted in an undesirable environment of tightening capacity and higher cost of production. With the installation of additional plant and machinery and better operation stability, such undesirable condition has been gradually improved in the second half of the year.

Specialized Vehicles – Wuling Specialized Vehicles

Successful launch of new models continued to benefit the operations of specialized vehicles division. Turnover (based on external sales) of the specialized vehicles division for period was RMB490 million, representing an increase of 88%. Operating profit reached RMB7.3 million, up 17%.

During this six months period, through active marketing and promotion programs, Wuling Specialized Vehicles sold approximately 16,000 specialized vehicles in the first half of 2009, representing an impressive increase of nearly 80%. However, operating margin reduced to 1.5% as from 2.4% recorded in prior year's corresponding period as a result of a substantial increase in the distribution costs incurred for the selling of certain specialized vehicles to other distant provinces. The Group has plan to expand its production capacity by establishing a new production plant in Qingdao to facilitate geographical diversification which enables quality services and cost effectiveness.

Trading of Raw Materials, Water and Power Supply Services

The provision of procurement services from the centralized procurement platform of Wuling Industrial to our major customer, SGMW, its suppliers and other group companies provided a stable source of income to the Group. Turnover (based on external sales) of the trading and supply services division for the six months ended 30 June 2009 was RMB191.7 million, representing a decrease of 29% compared to the corresponding period in 2008. Inter-segment sales reached RMB1,473 million, representing an increase of 49% as compared to last year's corresponding period. Operating profits for the respective period was RMB21.4 million, representing a decrease of 45.1%. The Group expects the growth of business of SGMW will continue to benefit the division in the second half of 2009.

Implemented Strategies for Future Growth

The Group is full of confidence in the long term growth potential in China automobile industry and is determined to meet with the opportunities arisen with appropriate and effective strategies, including technical re-engineering projects, business expansion programs, capacity expansion programs, new product development projects and cost control program.

- Technical re-engineering projects: setup of the new production plant for the parts of the engine's cylinder, which not only serves as a vertical integration process for our existing products, but can also extend to supply to the engine products manufactured by our existing and new customers.
- Business expansion programs: aiming at other car manufacturers in the PRC to develop a healthy diversification of businesses, such as the co-operation project with Liugong Machinery will bring business opportunities in the engineering machinery sector to the Group.
- Capacity expansion programs: various capacity expansion programs in our automotive components and specialized vehicles divisions through the setup of the new production facilities and the new Qingdao factory with the objectives to enhance productivity and to increase capacity to cope with the increasing demands coming from existing and new customers.
- New product development projects: through the launch of various new models of specialized vehicles, including the V2 mini-van, new energy vehicles such as electrical community car, electrical sight-seeing bus and electrical mini-truck for aiming at both the local and international markets for improving the overall profitability of the Group.
- Cost control program: an effective cost control program under the supervision of Wuling Industrial with the objective to contain cost of production which allows the Group together with its customers to stay highly competitive and to maintain the leading position in the market.

Outlook

Looking ahead, Mr. He Shiji, Vice-chairman of DH Wuling Auto said, "The stimulus programs implemented by the government have effectively led to a boost in the short term demands and benefit the performance of the China automobile industry. In the first quarter of 2009, based on the number of vehicles sold, China had surpassed the United States to become the largest motor vehicles manufacturing country in the world. In

response to the encouraging market condition in the first half of 2009, most of the enterprises in the China automobile industry optimistically revised their annual targets and carried out aggressive expansion programs in order to take advantages from this unprecedented favorable condition. It is generally expected that the number of vehicles sold in China will exceed 11 million for the full year of 2009, representing an annual increase of nearly 20% as compared to last year.”

He added, “The short term benefits of the stimulus programs to the China automobile industry are obvious. However, the potential competitions associated with excessive capacities from the aggressive expansion programs should not be underestimated. Therefore, apart from implementing capacity expansions, the Group will continue to undertake quality after-sale services and planned technical re-engineering programs to further our product quality standard and technical capability. The management is confident that our long term business potential in the China automobile industry.”

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About Dragon Hill Wuling Automobile Holdings Limited

Dragon Hill Wuling Automobile Holdings Limited is principally engaged in the businesses of trading and manufacturing of automotive components, engines and specialized vehicles in China. Partnered with Liuzhou Wuling Motors Company Limited, a reputable state-owned enterprise with extensive industry experiences, the Group’s corporate goal is to grasp the tremendous business opportunities arising from the rapidly growing automobile industry in China. The Group is the leading commercial-type mini-vehicle’s engines and automotive components manufacturer in China with production facilities located in Liuzhou and Qingdao.

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