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DRAGON HILL HOLDINGS LIMITED

俊山集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 305)

DISCLOSURE UNDER RULE 13.09(1) OF THE LISTING RULES

PROPOSED INVESTMENT IN A JOINT VENTURE, PROPOSED SALE OF SHARES BY THE CONTROLLING SHAREHOLDER, PROPOSED GRANT OF OPTION BY THE COMPANY AND RESUMPTION OF TRADING

On 2 March 2007, the Company, Wuling and the Controlling Shareholder entered into the Framework Agreement in relation to the Proposed Transactions, which include the proposed investment by the Company in Wuling Industrial, the proposed sale of the Sale Shares by the Controlling Shareholder to Wuling and the proposed grant of the Option to Wuling by the Company.

The Framework Agreement is subject to the entering into the Agreements by the Parties on the other key terms of the Proposed Transactions such as the representations and warranties, the numbers of the Sale Shares and the Option Shares, the objective of the proposed joint venture and the operational period of the proposed joint venture. Should the Parties fail to enter into the Agreements within three months from the date of the Framework Agreement (or a later date to be determined by the Parties), the Framework Agreement will be terminated and cease to have any effect and no Party will have any liability upon the termination of the Framework Agreement. **The execution of the Agreements and hence the Proposed Transactions may or may not proceed.** The Directors are of the view that the Framework Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, if the Proposed Transactions proceed, the proposed investment by the Company in Wuling Industrial will constitute a connected transaction and a very substantial acquisition for the Company pursuant to the Listing Rules. Moreover, the Stock Exchange has expressed concern on the implication of Rule 14.06(6) of the Listing Rules regarding reverse takeover. Should the Agreements be entered into by the Parties, a further announcement will be made by the Company in compliance with the Listing Rules, including but not limited to the rules regarding reverse takeover, if applicable.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in Shares.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Monday, 5 February 2007, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 7 March 2007.

THE FRAMEWORK AGREEMENT

Date of the Framework Agreement

2 March 2007.

Parties to the Framework Agreement

The Company, Wuling and the Controlling Shareholder are the parties to the Framework Agreement.

The Company is incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange. The Group is principally engaged in securities dealing and margin financing, money lending and property investment.

Wuling is a wholly state-owned limited company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會) being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Wuling Group (including Wuling Industrial Group) is principally engaged in the manufacturing of motor vehicle engines, parts and special mini vehicles. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Wuling and its ultimate beneficial owner are third parties independent of and not acting in concert with the Company and its connected persons. In addition, Wuling has confirmed that it, together with the parties acting in concert with it, has not dealt in the Shares in the six months prior to the date of this announcement.

The Controlling Shareholder, a company incorporated in Samoa which is solely and beneficially owned by Mr. Lee Shing, an executive Director and the Chairman of the Company, together with the parties acting in concert with it, is interested in 547,459,613 Shares, representing approximately 71.35% of the issued share capital of the Company as at the date of this announcement. The shareholding structure of the Company as at the date of this announcement is as follows:

| Name of Shareholder | Number of Shares | % |
|---|---------------------------|----------------------|
| The Controlling Shareholder and the parties acting in concert with it | 547,459,613 | 71.35 |
| Public | <u>219,828,436</u> | <u>28.65</u> |
| Total | <u><u>767,288,049</u></u> | <u><u>100.00</u></u> |

Under the Framework Agreement and subject to the execution of the Agreements, the Parties have principally agreed to carry out the Proposed Transactions, which include the Company's proposed investment in Wuling Industrial, the Proposed Share Sale and the Proposed Option Grant.

The proposed investment by the Company in Wuling Industrial

Wuling Industrial is a state-owned limited company established in the PRC and is currently a wholly-owned subsidiary of Wuling. Pursuant to the Framework Agreement, the Company and Wuling have principally agreed that the Company should subscribe 51% of the enlarged registered capital of Wuling Industrial for approximately RMB391 million (equivalent to approximately HK\$394.95 million) which shall be made in HK dollars (the "Subscription Money"), payable in cash in two stages as follows:

- (1) 20% of the Subscription Money will be paid upon Wuling Industrial applying for the business licence as a sino-foreign joint venture; and

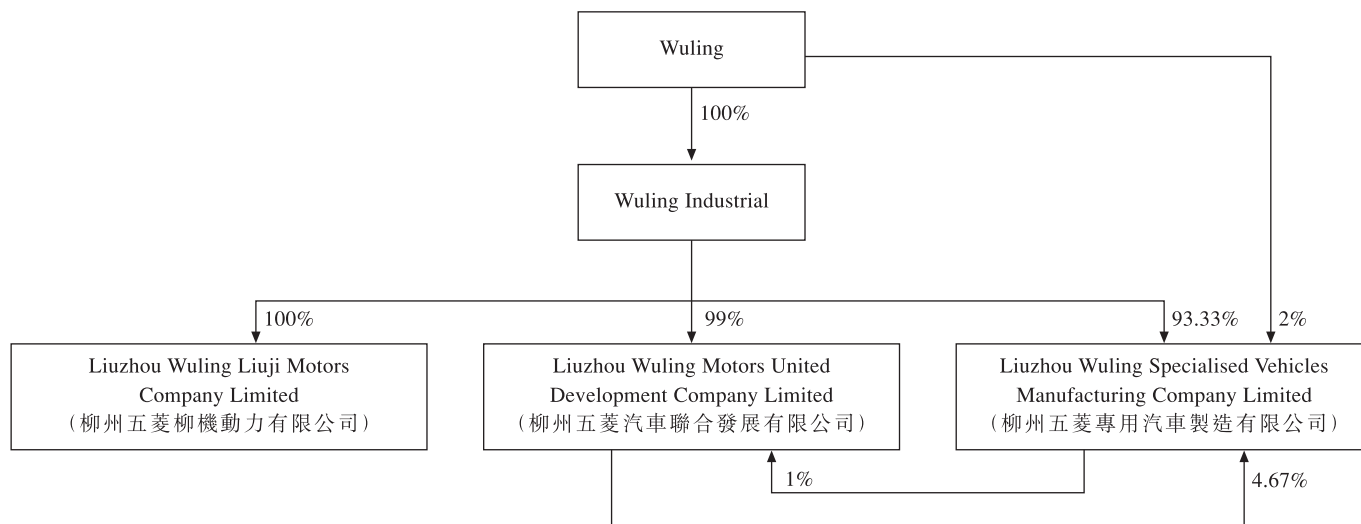
(2) the remaining 80% will be paid within two years from the JV Set-up Date.

Upon Wuling Industrial becoming a sino-foreign joint venture on the JV Set-up Date, (i) the Company and Wuling will be interested in 51% and 49% of the registered capital of Wuling Industrial respectively; and (ii) the board of directors of Wuling Industrial will comprise 9 directors, 5 and 4 of which will be nominated by the Company and Wuling respectively.

The proposed investment by the Company in Wuling Industrial and the transformation of Wuling Industrial into a sino-foreign joint venture are subject to the JV Set-up Conditions and Other Conditions (as set out in the paragraph headed “Conditions” below) as well as the execution of the JV Agreements.

Information on Wuling Industrial

Wuling Industrial is a state-owned limited company established in the PRC and is currently a wholly-owned subsidiary of Wuling. Wuling Industrial, together with a wholly-owned subsidiary (namely Liuzhou Wuling Liuji Motors Company Limited (柳州五菱柳機動力有限公司)), an approximately 99.98% owned subsidiary (namely Liuzhou Wuling Motors United Development Company Limited (柳州五菱汽車聯合發展有限公司)) and an approximately 98% owned subsidiary (namely Liuzhou Wuling Specialised Vehicles Manufacturing Company Limited (柳州五菱專用汽車製造有限公司)), is principally engaged in the manufacturing of motor vehicle engines, parts and special mini vehicles, and other related business. The following diagram illustrates the group structure of Wuling Group:



The Proposed Share Sale and the Proposed Option Grant

The Parties and the Directors consider that upon Wuling Industrial becoming a sino-foreign joint venture of the Company and Wuling, it will be in the parties’ common interest to enhance the foundation for cooperation between the Company and Wuling by inviting Wuling to become a strategic investor of the Company. It was set out in the Framework Agreement that, subject to the Other Conditions and the execution of the Agreements, (i) the Controlling Shareholder and Wuling have principally agreed to the proposed sale by the Controlling Shareholder to Wuling of such number of Sale Shares which shall represent about 29% of the issued share capital of the Company as at the date of the Share Sale Agreement at the consideration of HK\$0.29 per Sale Share (based on the total number of issued Shares as at the date of this announcement, the number of the Sale Shares shall be about 223,000,000 and the total consideration shall be about HK\$64.67 million; and based on the enlarged issued share capital of the Company upon full exercise of the Warrants on or before the date of the Share Sale Agreement, the number of the Sale Shares shall not be more than 265,000,000 and the total consideration shall be about HK\$76.85 million); and (ii) the Company and Wuling have principally agreed to the proposed grant by the Company to Wuling of the

Option carrying rights exercisable after the expiration of two years from the JV Set-up Date until the fifth anniversary of the date of the grant of the Option to subscribe such number of Option Shares which shall represent not more than 20% of the issued share capital of the Company as at the date of the Option Agreement (the number of the Option Shares are currently estimated to be not more than 180,000,000) at the exercise price of HK\$0.29 per Option Share. The Stock Exchange has expressed concern that if the Option is exercised by Wuling in full and the public float of the Company immediately after the exercise of the Option is less than 25%, Rule 8.08 of the Listing Rules may not be complied with and in which case the Company should take steps prior to the grant of the Option upon completion of the Option Agreement to ensure that the public float will not be less than 25%. In addition, the Company will comply with Chapter 15 of the Listing Rules in respect of the Proposed Option Grant, pursuant to which the total number of Option Shares and the Shares to be issued upon exercise of the outstanding Warrants and other convertible securities of the Company (if any) shall not exceed 20% of the issued share capital of the Company at the time of grant of the Option. The final number of the Option Shares to be issued under the Option in compliance with Chapter 15 of the Listing Rules will be set out in further announcement to be made by the Company upon execution of the Agreements.

The consideration per Sale Share and the exercise price per Option Share, both being HK\$0.29, represent (i) a discount of 76.6% to the closing price of the Shares as quoted on the Stock Exchange on 2 February 2007, being the last day of trading of the Shares on the Stock Exchange prior to the publication of this announcement, of HK\$1.24 per Share; (ii) a discount of 70.4% to the average of the daily closing prices of the Shares as quoted on the Stock Exchange during the 30-trading day period up to and including 2 February 2007, of approximately HK\$0.98 per Share; and (iii) a discount of 66.7% to the average of the daily closing prices of the Shares as quoted on the Stock Exchange during the 60-trading day period up to and including 2 February 2007 of approximately HK\$0.87 per Share.

Guarantees from the Controlling Shareholder and the Share Pledge

Having taken into account the Company's proposed investment in Wuling Industrial as well as the Proposed Share Sale and the Proposed Option Grant, the Controlling Shareholder shall guarantee and undertake to procure (i) the due performance of the Company under the JV Agreements upon execution thereof, and (ii) the Company not to allot and issue any new Shares (save for the Warrant Shares and the Option Shares) without the prior consent of Wuling. As security of such guarantee and undertaking, the Controlling Shareholder has agreed that the Pledged Shares, being all of the Shares held by it upon completion of the Proposed Share Sale, shall be pledged to Wuling upon execution of the relevant documents in relation to the Share Pledge, and that if the Company fails to duly perform its obligation pursuant to the JV Agreements, Wuling shall have the rights to acquire any Pledged Shares from the Controlling Shareholder at the price of HK\$0.29 per Pledged Share during the period from the second anniversary of the JV Set-up Date up to the date on which the rights of Wuling to subscribe the Option Shares under the Option have been exercised in full. In addition, the Controlling Shareholder shall grant a first right of refusal to Wuling in respect of the disposal of any Pledged Shares by the Controlling Shareholder in future.

Conditions

The set-up of the joint venture of the Company and Wuling by transforming Wuling Industrial into a sino-foreign joint venture is subject to the following JV Set-up Conditions:

- (a) the set-up of the joint venture and the JV Agreements having been approved by the board of directors of Wuling and the Shareholders; and
- (b) the increase in the registered capital of Wuling Industrial and the set-up of the joint venture having been approved by the relevant government authorities in Guangxi, the PRC.

The proposed investment by the Company in Wuling Industrial, the Proposed Share Sale and the Proposed Option Grant are subject to the Other Conditions as follows:

- (1) the Proposed Option Grant, together with any other relevant transactions contemplated under the Framework Agreement, having been approved by the Shareholders who are not interested in or involved in the Proposed Transactions;
- (2) the listing committee of the Stock Exchange having granted an irrevocable or an unconditional approval in respect of the listing of, and permission to deal in, the Option Shares;
- (3) the joint venture of the Company and Wuling having been set-up by transforming Wuling Industrial Group into a sino-foreign joint venture;
- (4) all necessary approvals having been obtained by Wuling in relation to its purchase of the Sale Shares and subscription of the Option Shares from the relevant government authorities;
- (5) Wuling having been satisfied with the results of the due diligence on the Company;
- (6) Wuling having obtained all approvals of entering into the Agreements; and
- (7) the relevant documents in relation to the Share Pledge having been entered into.

Undertakings from the Company to Wuling

In view of the Proposed Share Sale, the Company has undertaken to Wuling not to allot and issue any Shares (save for the Warrant Shares and the Option Shares) within three years after the date of the Framework Agreement without the prior consent of Wuling.

Execution of the Agreements

The Parties shall carry out procedures, including (but not limited to) the preparation of the Agreements, and obtaining necessary approvals of executing the Agreements. It is expected that the Agreements will be finalised and, if so agreed, signed within three months from the date of the Framework Agreement. If (i) it is mutually agreed by the Parties; or (ii) the Agreements are not signed within three months from the date of the Framework Agreement (or on a later date mutually agreed by the Parties), the Framework Agreement shall be terminated and the Proposed Transactions will not proceed. No Party will have any liability upon the termination of the Framework Agreement.

GENERAL

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules. On 3 February 2007, the Parties initially reached an agreement in relation to the proposed investment by the Company in Wuling Industrial, the proposed investment in the Company by Wuling by way of subscription of new Shares and the proposed grant by the Company to Wuling of an option carrying rights to subscribe for new Shares. Having considered the comments from the Stock Exchange in relation to such agreement, the Parties entered into the Framework Agreement in relation to the Proposed Transactions, and the agreement reached on 3 February 2007 has been superseded by the Framework Agreement and has ceased to have any effect. The Framework Agreement is subject to the entering into the Agreements by the Parties on the other key terms of the Proposed Transactions such as the representations and warranties, the numbers of the Sale Shares and the Option Shares, the objective of the proposed joint venture and the operational period of the proposed joint venture. Should the Parties fail to enter into the Agreements within three months from the date of the Framework Agreement (or a later date to be determined by the Parties), the Framework Agreement will be terminated and cease to have any effect and no Party will have any liability upon the termination of the Framework Agreement. **The execution of the Agreements and hence the Proposed Transactions may or may not proceed.** The Directors are of the view that the Framework Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. However, if the Proposed

Transactions proceed, the proposed investment by the Company in Wuling Industrial will constitute a connected transaction and a very substantial acquisition for the Company pursuant to the Listing Rules. Moreover, the Stock Exchange has expressed concern on the implication of Rule 14.06(6) of the Listing Rules regarding reverse takeover. Should the Agreements, including the JV Agreements, the Share Sale Agreement and the Option Agreement, be entered into by the Parties, a further announcement will be made by the Company in compliance with the Listing Rules, including but not limited to the rules regarding reverse takeover, if applicable.

As a result of the entering into the Framework Agreement and subject to the execution of the Agreements, the exercise price of the Warrants shall be adjusted, if any, according to the terms of the instruments of the Warrants.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in Shares.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Monday, 5 February 2007, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 7 March 2007.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

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| “acting in concert” | has the meaning ascribed to it under the Hong Kong Code of Takeovers and Mergers |
| “Agreements” | the formal agreements (including the JV Agreements, the Share Sale Agreement and the Option Agreement) to be entered into by the relevant parties in respect of the proposed investment by the Company in Wuling Industrial together with the set-up of the joint venture of the Company and Wuling by transforming Wuling Industrial into a sino-foreign joint venture, the Proposed Share Sale and the Proposed Option Grant |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of the Directors |
| “Company” | Dragon Hill Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Controlling Shareholder” | Dragon Hill Development Limited, a company incorporated in Samoa which is solely and beneficially owned by Mr. Lee Shing, an executive Director and the Chairman of the Company, the controlling Shareholder which is interested in approximately 71.35% of the issued share capital of the Company as at the date of this announcement |
| “Directors” | the directors of the Company |

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| “Framework Agreement” | the framework agreement dated 2 March 2007 entered into by the Parties which has set out the principal terms and framework of the Proposed Transactions |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “JV Agreements” | (i) the agreement to be entered into by Wuling and the Company in relation to the increase in the registered capital of Wuling Industrial; (ii) the joint venture agreement to be entered into by Wuling and the Company in relation to the set up of a joint venture of the Company and Wuling by transforming Wuling Industrial into a sino-foreign joint venture; and (iii) the new articles and association to be adopted by Wuling Industrial upon it becoming a sino-foreign joint venture |
| “JV Set-up Conditions” | the pre-conditions set out in the Framework Agreement in relation to the set up of the joint venture of the Company and Wuling by transforming Wuling Industrial into a sino-foreign joint venture, details of which are set out in the paragraph headed “Conditions” of this announcement |
| “JV Set-up Date” | the date on which Wuling Industrial becomes a sino-foreign joint venture of the Company and Wuling |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Option” | the option proposed to be granted by the Company to Wuling under the Proposed Option Grant which shall entitle the holder(s) thereof after two years from the JV Set-up Date until the fifth anniversary of the date of the grant of the Option to subscribe the Option Shares which shall represent not more than 20% of the issued share capital of the Company as at the date of the Option Agreement at the exercise price of HK\$0.29 per Option Share |
| “Option Agreement” | the agreement to be entered into between the Company and Wuling in relation to the Proposed Option Grant |
| “Option Shares” | Shares to be allotted and issued by the Company to Wuling upon the exercise of the Option |
| “Other Conditions” | the pre-conditions set out in the Framework Agreement in relation to the proposed investment by the Company in Wuling Industrial, the Proposed Share Sale and the Proposed Option Grant as set out in the paragraph headed “Conditions” of this announcement |
| “Parties” | the parties to the Framework Agreement, being the Company, Wuling and the Controlling Shareholder |
| “Pledged Shares” | all of the Shares owned by the Controlling Shareholder upon completion of the Proposed Share Sale which are proposed to be pledged to Wuling under the Share Pledge |

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| “PRC” | The Peoples’ Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Proposed Option Grant” | the proposed grant of the Option to Wuling by the Company, (i) the principal terms of which have been set out in the Framework Agreement; and (ii) the final terms and conditions of which will be contained in the Option Agreement |
| “Proposed Share Sale” | the proposed sale of the Sale Shares by the Controlling Shareholder to Wuling at a consideration of HK\$0.29 per Sale Share, (i) the principal terms of which have been set out in the Framework Agreement; and (ii) the final terms and conditions of which will be set out in the Share Sale Agreement |
| “Proposed Transactions” | the proposed investment by the Company in Wuling Industrial, the Proposed Share Sale and the Proposed Option Grant, (i) the respective principal terms of which have been set out in the Framework Agreement; and (ii) the respective final terms and conditions of which will be contained in the Agreements |
| “RMB” | Renminbi, the lawful currency of PRC |
| “Sale Shares” | such number of Shares, which shall represent about 29% of the issued share capital of the Company as at the date of the Share Sale Agreement, to be sold by the Controlling Shareholder to Wuling under the Proposed Share Sale |
| “Share(s)” | ordinary share(s) of HK\$0.004 each in the share capital of the Company |
| “Share Sale Agreement” | the agreement to be entered into between the Controlling Shareholder and Wuling in connection with the Proposed Share Sale |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Share Pledge” | the proposed pledge of the Pledged Shares to Wuling by the Controlling Shareholder, (i) the principal terms and framework of which have been set out in the Framework Agreement; and (ii) the final terms and conditions of which will be set out in the formal share pledge documents to be entered into by the Controlling Shareholder and Wuling |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Warrants” | the outstanding warrants of the Company in the total amount of HK\$49,800,000 carrying rights to subscribe Shares at the initial exercise price of HK\$0.332 per Share (subject to adjustment) |
| “Warrant Shares” | Shares to be allotted and issued by the Company to the holders of Warrants upon exercise of the Warrants |
| “Wuling” | 柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited), a wholly state-owned limited company established in the PRC |
| “Wuling Group” | Wuling and its subsidiaries (including Wuling Industrial Group) |

“Wuling Industrial” 柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited), a state-owned limited company established in the PRC and currently a wholly-owned subsidiary of Wuling

“Wuling Industrial Group” Wuling Industrial and its subsidiaries

By order of the Board
Dragon Hill Holdings Limited
Lee Shing
Chairman

Hong Kong, 6 March 2007

As at the date of this announcement, the Board comprises:

Executive Directors: Independent non-executive Directors:

| | |
|------------------|---------------------------|
| Mr. Lee Shing | Mr. Yu Xiumin |
| Ms. Liu Yaling | Mr. Zuo Duofu |
| Mr. Wang Shaohua | Mr. Cheng Kin Wah, Thomas |
| Mr. Pei Qingrong | |

In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate of HK\$1.00 = RMB0.99 for illustration only. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such rate or any other rates.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, have been arrived at after due and careful consideration and there are no other facts, not contained in this announcement, the omission of which would make any statement in this announcement misleading.

** For identification purpose only*

*Please also refer to the published version of this announcement in **The Standard**.*