



## **DRAGON HILL HOLDINGS LIMITED**

**俊山集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 305)**

- (1) Very substantial acquisition and connected transaction  
in relation to the proposed investment in a joint venture by the Company;**  
**(2) Proposed sale of shares in the Company by Dragon Hill Development Limited;**  
**(3) Continuing connected transactions;**  
**and**  
**(4) Resumption of trading**

### **BACKGROUND**

References are made to the announcements made by the Company on 6 March 2007 and 26 April 2007 in relation to the Previous Framework Agreement and the Revised Framework Agreement respectively for, among other matters, the Proposed Transactions (which include the proposed investment by the Company in Wuling Industrial and the proposed sale of Shares by the Controlling Shareholder to Wuling). The Revised Framework Agreement has superseded the Previous Framework Agreement.

On 15 May 2007, the Agreements were entered into by the relevant parties to agree on the final terms relating to the Proposed Transactions.

### **PROPOSED INVESTMENT IN WULING INDUSTRIAL**

The Company has conditionally agreed to invest in Wuling Industrial, which is currently a wholly state-owned enterprise established in the PRC, by converting it into a sino-foreign joint venture (being the Joint Venture) pursuant to the JV Agreements (including the JV Capital Increase and Subscription Agreement, the JV Set-up Agreement and the JV Articles of Association). Pursuant to the JV Agreements, the Company will subscribe 51% of the enlarged registered capital of Wuling Industrial at the Subscription Money of RMB391 million (equivalent to approximately HK\$394.95 million).

### **PROPOSED SALE OF THE SALE SHARES**

It is considered by the parties to the Agreements and the Directors that upon Wuling Industrial becoming the Joint Venture, 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. On that basis, the Share Sale Agreement was entered into by the parties thereto.

Pursuant to the Share Sale Agreement, the Controlling Shareholder and Wuling has conditionally agreed to the sale of the Sale Shares, being 266,500,000 Shares which represent approximately 29.05% of the total number of issued Shares as at the date of this announcement, by the Controlling Shareholder to Wuling (or its wholly-owned subsidiary(ies)), at the consideration of HK\$0.29 per Sale Share.

## **PROPOSED CONTINUING CONNECTED TRANSACTIONS**

In order to ensure that the business and operation of Wuling Industrial will not be affected after it has become the Joint Venture, Wuling and the Joint Venture will enter into the Continuing Connected Transactions Agreements on the JV Set-up Date.

### **LISTING RULES IMPLICATION**

The subscription for 51% of the enlarged registered capital of Wuling Industrial at the Subscription Money of RMB391 million (equivalent to approximately HK\$394.95 million) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Moreover, Wuling has conditionally agreed to acquire the Sale Shares, which represent approximately 29.05% of the total number of issued Shares as at the date of this announcement, by itself (or by its wholly-owned subsidiary(ies)) pursuant to the Share Sale Agreement. Accordingly, Wuling will become a substantial Shareholder upon completion of the Share Sale Agreement. In addition, it will become a substantial shareholder of the Joint Venture upon the JV Set-up Date. Wuling will therefore be regarded as a connected person of the Company pursuant to the Listing Rules. Accordingly, the execution of the JV Agreements among the Company, Wuling and Wuling Industrial and the set up of the Joint Venture pursuant thereto constitute connected transactions for the Company under Chapter 14A of the Listing Rules, which require approval of the Independent Shareholders voting by way of a poll at a general meeting of the Company. In addition, as Wuling and the Joint Venture will become a substantial Shareholder and a subsidiary of the Company respectively upon completion of the Proposed Transactions, the Proposed Continuing Connected Transactions will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon execution of the Continuing Connected Transactions Agreements on the JV Set-up Date. The Proposed Continuing Connected Transactions also require the approval of the Independent Shareholders voting by way of a poll at a general meeting of the Company. The Stock Exchange has indicated that it reserves its right to re-visit the application of the relevant rules on reverse takeover if and when Wuling (together with its associates) becomes a controlling Shareholder (as defined in the Listing Rules).

### **GENERAL**

The SGM will be convened to approve the terms and execution of the JV Agreements and the Continuing Connected Transactions Agreements, together with the transactions contemplated thereunder. The Controlling Shareholder and its associates will abstain from voting on the resolutions in respect of the JV Agreements and the Continuing Connected Transactions Agreements and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to consider and advise the Independent Shareholders as to the fairness and reasonableness of the terms of the JV Agreements and the Continuing Connected Transactions Agreements. South China Capital Limited has been appointed to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

A circular setting out, among other matters, (i) details of the Proposed Transactions and the Proposed Continuing Connected Transactions, which include the respective terms of the Agreements and the Continuing Connected Transactions Agreements; (ii) the relevant respective recommendations and advice of the Independent Board Committee and South China Capital Limited; (iii) further information on the Group, Wuling and Wuling Industrial; (iv) the accountants' report of the Wuling Industrial Group; and (v) the notice of SGM will be sent to the Shareholders within 21 days after the date of this announcement.

## **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 14 May 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 25 May 2007.

### **(1) BACKGROUND**

References are made to the announcements made by the Company on 6 March 2007 and 26 April 2007 in relation to the Previous Framework Agreement and the Revised Framework Agreement respectively for, among other matters, the Proposed Transactions (which include the proposed investment by the Company in Wuling Industrial and the proposed sale of Shares by the Controlling Shareholder). The principal terms of the Revised Framework Agreement are the same as those of the Previous Framework Agreement, except that no Option will be granted by the Company to Wuling and that the period covered by the Share Charge for the purpose of guaranteeing, among other matters, the Company's due performance under the JV Agreements shall be up to the third anniversary of the date of the Share Charge (instead of up to the date on which the rights of Wuling to subscribe Shares under the Option have been exercised in full as set out in the Previous Framework Agreement, as there is no longer any grant of the Option). The Revised Framework Agreement has superseded the Previous Framework Agreement.

All of the principal terms of the Revised Framework Agreement have remained unchanged since the date of execution thereof. Based on the terms of the Revised Framework Agreement, the parties entered into the Agreements on 15 May 2007 to agree on the final terms relating to the Proposed Transactions (which include the proposed investment by the Company in Wuling Industrial and the Proposed Share Sale). In addition, in order to ensure that the business and operation of Wuling Industrial will not be affected after it has become the Joint Venture, the Continuing Connected Transactions Agreements will be entered into between Wuling and the Joint Venture to agree on the terms of the Proposed Continuing Connected Transactions.

### **(2) PROPOSED INVESTMENT BY THE COMPANY IN WULING INDUSTRIAL**

The Company has conditionally agreed to invest in Wuling Industrial, which is currently a wholly state-owned enterprise established in the PRC, by converting it into a sino-foreign joint venture (being the Joint Venture) pursuant to the JV Agreements, which include the JV Capital Increase and Subscription Agreement, the JV Set-up Agreement and the JV Articles of Association.

### **THE JV CAPITAL INCREASE AND SUBSCRIPTION AGREEMENT**

**Date** : 15 May 2007.

**Parties** : The Company (in the capacity of equity subscriber), Wuling (in the capacity of existing equity holder), and Wuling Industrial.

### **Subscription for the enlarged registered capital of Wuling Industrial**

Wuling Industrial, a limited company established in the PRC, is currently a wholly-owned subsidiary of Wuling, a wholly state-owned enterprise established in the PRC. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, Wuling Industrial, Wuling and its ultimate beneficial owner are third parties independent of the Group and its connected persons.

As at the date of this announcement, the registered capital of Wuling Industrial is RMB150 million and is entirely owned by Wuling. Pursuant to the JV Capital Increase and Subscription Agreement, the parties thereto have conditionally agreed (1) to set up the Joint Venture by converting Wuling Industrial into a sino-foreign joint venture of the Company and Wuling; and (2) to increase the registered capital of Wuling Industrial to RMB767 million (“enlarged registered capital of Wuling Industrial”), among which RMB376 million, being 49% of the enlarged registered capital of Wuling Industrial, shall be contributed by Wuling by way of injection of the entire net assets of Wuling Industrial (the appraised net asset value of Wuling Industrial was approximately RMB376 million as at 31 December 2006) into the Joint Venture, and RMB391 million, being 51% of the enlarged registered capital of Wuling Industrial, shall be contributed by the Company by way of cash.

### **The Subscription Money**

The Subscription Money in the amount of RMB391 million (equivalent to approximately HK\$394.95 million) shall be payable by the Company in cash in two stages as follows:

- (1) 20% of the Subscription Money will be paid within 30 days from the JV Set-up Date; and
- (2) the remaining 80% will be paid within two years from the JV Set-up Date.

The Company intends that first stage of the Subscription Money will be financed as to 50% by the Company’s internal resources and as to the remaining 50% by bank borrowings. With regard to the second stage of the Subscription Money, the Company currently intends to finance the same by the Company’s internal resources, bank borrowings and, if considered appropriate, proceeds from any future fund raising activity of the Company, but there is no definite plan in relation thereto as at the date of this announcement.

The terms of the JV Capital Increase and Subscription Agreement, including the amount of the Subscription Money, were determined after arm’s length negotiations between the Company and Wuling by taking into account the appraised net asset value of Wuling Industrial Group of approximately RMB376 million as at 31 December 2006 and the factors set out in the paragraph headed “(7) Reasons for the Proposed Transactions and the Proposed Continuing Connected Transactions” below. Based on the Subscription Money of RMB391 million to be paid by the Company and the appraised net asset value of Wuling Industrial Group of approximately RMB376 million to be injected into the Joint Venture by Wuling for subscribing 51% and 49% of the enlarged registered capital of Wuling Industrial respectively, the respective costs of investment of the Company and Wuling in the Joint Venture are approximately the same. The Directors consider that the proposed investment by the Company in Wuling Industrial pursuant to the JV Agreements, which include, among other matters, the JV Capital Increase and Subscription Agreement, is in the interests of the Group and the Shareholders as a whole, and the terms of the JV Agreements are entered into by the parties thereto on normal commercial terms and are fair and reasonable.

### **Conditions of the JV Capital Increase and Subscription Agreement**

Completion of the JV Capital Increase and Subscription Agreement is subject to, among other matters, the following conditions:

- (a) the establishment of the Joint Venture as well as the JV Agreements having been approved by the board of directors of Wuling and the Independent Shareholders;
- (b) the increase in the registered capital of Wuling Industrial and the establishment of the Joint Venture having been approved by the relevant government authorities in the PRC;
- (c) the acquisition of the Sale Shares by Wuling having been approved by the relevant government authorities in the PRC and all approvals for the execution of the Share Sale Agreement having been obtained;

- (d) all of the Continuing Connected Transactions Agreements having become unconditional in accordance with the respective terms thereof (other than the conditions in connection with the completion of the JV Capital Increase and Subscription Agreement); and
- (e) the due execution of the JV Set-up Agreement and the JV Articles of Association.

None of the conditions of the JV Capital Increase and Subscription Agreement can be waived. If any of the conditions of the JV Capital Increase and Subscription Agreement are not fulfilled on or before 31 October 2007, the JV Capital Increase and Subscription Agreement will terminate and the proposed investment by the Company in Wuling Industrial will not proceed, and the parties to the JV Capital Increase and Subscription Agreement will have no claim against each other in respect of the JV Capital Increase and Subscription Agreement save for any antecedent breach thereof.

### **Completion of the JV Capital Increase and Subscription Agreement**

Upon completion of the JV Capital Increase and Subscription Agreement and establishment of the Joint Venture by converting Wuling Industrial into a sino-foreign joint venture, the Joint Venture will become a 51%-owned subsidiary of the Company, and the financial results of the Joint Venture will be consolidated into the Company's accounts.

## **THE JV SET-UP AGREEMENT AND THE JV ARTICLES OF ASSOCIATION**

**Date of each of** : 15 May 2007.  
**the JV Set-up Agreement and the JV Articles of Association**

**Parties to each of** : The Company and Wuling (both in the capacity of holders of equity interest in the  
**the JV Set-up Agreement and the JV Articles of Association** Joint Venture).

In order to regulate the future affairs relating to the business and management of, as well as the respective rights and obligations of the owners of the equity interests in the Joint Venture, the Company and Wuling entered into the JV Set-up Agreement and the JV Articles of Association. The principal terms of the JV Set-up Agreement and the JV Articles of Association are as follows:

### **1. Operative term**

The operative term of the Joint Venture (being a limited liability company) will be 30 years from the JV Set-up Date and such term shall be extended upon agreement by the Company and Wuling and subject to the approval by the relevant government authorities and applicable rules and regulations, including the Listing Rules.

### **2. Business objectives**

The business objectives of the Joint Venture are to develop, establish and operate an enterprise engaging in manufacturing of motor vehicle engine, parts and special mini vehicles, and to obtain satisfactory economic benefits for the Company and Wuling.

### **3. Transfer restrictions on the equity interest in the Joint Venture**

The transfer of any equity interest in the Joint Venture by an equity holder is subject to written approvals of the other equity holder (which shall have first right of refusal in respect of such transfer) and of the relevant government authorities in the PRC.

### **4. Management of the Joint Venture**

The board of directors of the Joint Venture will comprise nine (9) directors, of which five (5) will be nominated by the Company and four (4) will be nominated by Wuling. The chairman and vice-chairman of the board of directors shall be nominated by the Company and Wuling respectively.

### **5. Profit distribution**

Any distribution of the distributable net profit of the Joint Venture will be determined by the board of directors of the Joint Venture and will be made to the equity holders of the Joint Venture in accordance with their respective equity interests therein, provided that distribution will be made according to the amounts of registered capital paid up by the equity holders before full payment of the subscription money by any equity holder in relation to its subscription of the registered capital in Wuling Industrial.

The Directors consider that the proposed investment by the Company in Wuling Industrial pursuant to the JV Agreements, which include, among other matters, the JV Set-up Agreement and JV Articles of Association, is in the interests of the Group and the Shareholders as a whole, and the JV Agreements are entered into by the parties thereto on normal commercial terms and are fair and reasonable.

## **DATE ON WHICH THE JV CAPITAL INCREASE AND SUBSCRIPTION AGREEMENT, JV SET-UP AGREEMENT AND JV ARTICLES OF ASSOCIATION SHALL BECOME EFFECTIVE**

Pursuant to condition (a) of the Share Sale Agreement referred to in the paragraph headed “Conditions of the Share Sale Agreement” under the section headed “(3) The Share Sale Agreement” of this announcement, completion of the Share Sale Agreement is subject to the establishment of the Joint Venture having been duly approved and/or registered by the relevant PRC government authorities and the Company having been duly approved as an equity holder of the Joint Venture. Accordingly, it is contemplated that the JV Agreements, including the JV Capital Increase and Subscription Agreement, the JV Set-Up Agreement and the JV Articles of Association, shall become effective prior to the completion of the Share Sale Agreement. However, under the JV Set-Up Agreement, if the Proposed Share Sale does not proceed to completion in accordance with the terms of the Share Sale Agreement, the Company shall unconditionally assist Wuling to attend to the relevant procedures in converting the Joint Venture back to a wholly-owned subsidiary of Wuling, and Wuling shall procure the Joint Venture to refund the Company all Subscription Money already paid by the Company.

### **(3) THE SHARE SALE AGREEMENT**

**Date** : 15 May 2007.  
**Vendor** : The Controlling Shareholder, which is interested in approximately 59.68% of the issued share capital of the Company as at the date of this announcement.  
**Purchaser** : Wuling.  
**Warrantor** : Mr. Lee Shing, the sole beneficial owner and sole director of the Controlling Shareholder.

## **Sale Shares**

The Controlling Shareholder and Wuling has conditionally agreed to the sale of the Sale Shares, being 266,500,000 Shares, which represent approximately 29.05% of the issued share capital of the Company as at the date of this announcement, by the Controlling Shareholder to Wuling (or its wholly-owned subsidiary(ies)) free from all liens, charges and encumbrances and together with all rights attaching thereto as at and after the date of completion of the Share Sale Agreement, including all dividends and distributions that may be declared, made or paid on or after the date of completion of the Share Sale Agreement.

## **Consideration for the Sale Shares**

The consideration per Sale Share of HK\$0.29 was negotiated and determined on an arm's length basis between the Controlling Shareholder and Wuling during the course of negotiation of the terms of the Previous Framework Agreement after taking into account (i) the unaudited net asset value per Share of approximately HK\$0.0249 as at 30 June 2006 (based on the unaudited consolidated net asset value of the Group of HK\$19,075,483 as at 30 June 2006 and a total of 767,288,049 Shares in issue as at the date of Previous Framework Agreement); (ii) the net proceeds of approximately HK\$8.7 million from a rights issue of the Company which was completed on 5 September 2006; (iii) the audited consolidated net loss of the Group of HK\$8,756,390 for the year ended 31 December 2005 and the unaudited consolidated net profit of the Group of HK\$24,901,840 for the six months ended 30 June 2006; and (iv) the trading performance, in terms of prices and trading volume, of the Shares on the Stock Exchange.

The consideration per Sale Share of HK\$0.29 represents (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 in the Shares on the Stock Exchange prior to the execution of the Previous Framework Agreement, 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; (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; and (iv) a discount of 83.1% to the closing price of the Shares as quoted on the Stock Exchange on 11 May 2007, being the last day of trading in the Shares on the Stock Exchange prior to the publication of this announcement, of HK\$1.72 per Share.

The total consideration for the Sale Shares of approximately HK\$77.29 million will be payable by Wuling to the Controlling Shareholder upon completion of the Share Sale Agreement, which shall be the tenth Business Day following the fulfilment or waiver (as the case may be) of all of the conditions of the Share Sale Agreement.

## **Conditions of the Share Sale Agreement**

Completion of the Share Sale Agreement is subject to the conditions as follows:

- (a) the establishment of the Joint Venture having been duly approved and/or registered by the relevant PRC government authorities and the Company having been duly approved as an equity holder of the Joint Venture;
- (b) the Continuing Connected Transactions Agreements having been approved by the Independent Shareholders;
- (c) all necessary approvals having been obtained by Wuling in relation to the acquisition of the Sale Shares by Wuling (or its wholly-owned subsidiary(ies)) from the relevant government authorities;
- (d) the Continuing Connected Transactions Agreements having become unconditional in accordance with the terms thereof (other than the conditions in connection with completion of the Share Sale Agreement);

- (e) Wuling having been satisfied with the results of the due diligence review on the Group;
- (f) all necessary consents and approvals for the change of substantial shareholders of Dragon Hill Financial Services Limited (a wholly-owned subsidiary of the Company, which is a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the holder of a trading right on the Stock Exchange) having been obtained from the SFC and Hong Kong Exchanges and Clearing Limited;
- (g) (i) on or before the date of completion of the Share Sale Agreement, the current listing status of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension pending approval of the Share Sale Agreement by the SFC or the Stock Exchange); and (ii) no indication having been received from the Stock Exchange or the SFC to the effect that the listing of Shares may be withdrawn or objected to;
- (h) all necessary consents and approvals from any third parties in relation to the Proposed Share Sale having been obtained; and
- (i) the Controlling Shareholder as vendor of the Sale Shares and Mr. Lee Shing as the warrantor under the Share Sale Agreement not having materially breached the warranties, representations and/or undertakings given or made by each of them.

If any of the conditions of the Share Sale Agreement are not fulfilled (conditions (c), (f) and (h) must be fulfilled and cannot be waived), or waived (as to conditions (a), (b), (d), (e), (g) and (i) only) by written notice by Wuling, or that Wuling has informed the Controlling Shareholder that it is not satisfied with the results of the due diligence review conducted pursuant to the conditions above on or before 31 October 2007 (or such other date to be agreed by the Controlling Shareholder and Wuling), the Share Sale Agreement will terminate and the Proposed Share Sale will not proceed, and the parties to the Share Sale Agreement will have no claim against each other in respect of the Share Sale Agreement save for any antecedent breach thereof.

### **Completion of the Share Sale Agreement**

Completion of the Share Sale Agreement shall take place on the tenth Business Day following the fulfilment or waiver (as the case may be) of all of the conditions of the Share Sale Agreement.

As at the date of this announcement, the Board comprises four executive Directors and three independent non-executive Directors. Three (3) persons nominated by Wuling will be appointed as executive Directors and it is the intention of the existing Directors that they will not resign upon completion of the Share Sale Agreement.

The shareholding structure of the Company upon completion of the Share Sale Agreement is set out in the section headed “(9) Shareholding structure of the Company” below.

### **(4) GUARANTEES FROM THE CONTROLLING SHAREHOLDER AND THE SHARE CHARGE**

Having taken into account the proposed investment in Wuling Industrial by the Company as well as the Proposed Share Sale, the Controlling Shareholder has agreed to guarantee and undertake to procure (i) the due performance of the Company under the JV Agreements, and (ii) the Company not to allot and issue any new Shares without the prior written consent of Wuling during the Guarantee Period. As security of such guarantees and undertakings, the Controlling Shareholder has agreed that the Charged Shares, being all of the Shares held by it upon completion of the Proposed Share Sale, shall be charged to Wuling (or its wholly-owned subsidiary(ies)) by executing the Share Charge Documents simultaneously with the completion of the Share Sale Agreement, and that if the Company fails to duly perform its obligations pursuant to any of the JV Agreements or if the Company issues any new Shares in breach of its undertaking, Wuling (or its wholly-owned subsidiary(ies)) shall have the right to acquire the Charged



Shares from the Controlling Shareholder at the price of HK\$0.29 per Charged Share during the Guarantee Period. In addition, the Controlling Shareholder has agreed to grant a first right of refusal to Wuling and its wholly-owned subsidiary(ies) in respect of the disposal of any Charged Shares by the Controlling Shareholder in future by entering into the Share Charge Documents.

## **(5) UNDERTAKINGS FROM THE COMPANY TO WULING**

In view of its investment in Wuling Industrial and the Proposed Share Sale, the Company has undertaken to Wuling (i) not to allot and issue any Shares or securities convertible into Shares within the Guarantee Period without the prior written consent of Wuling; and (ii) Wuling (and its wholly-owned subsidiary(ies)) will have a first right of refusal in respect of the subscription for new Shares that may be allotted and issued by the Company.

## **(6) PROPOSED CONTINUING CONNECTED TRANSACTIONS**

In order to ensure that the business and operation of Wuling Industrial will not be affected after it has become the Joint Venture, Wuling and the Joint Venture will enter into the Tenancy Agreement, the Trademark Agreement and the Patent Agreement which shall be executed on and become effective from the JV Set-up Date.

### **THE TENANCY AGREEMENT**

<b>Date</b>	:	To be entered into on the JV Set-up Date.
<b>Landlord</b>	:	Wuling.
<b>Tenant</b>	:	The Joint Venture.
<b>Leased Properties</b>	:	12 parcels of land and 83 buildings which are located in Liuzhou, Guangxi, the PRC. The total floor area of the land and buildings are approximately 659,430.27 square metres and 223,151.49 square metres respectively. The Leased Properties are currently leased by Wuling to Wuling Industrial and are used as offices and production plants of Wuling Industrial Group and will continue to be used by it for such purposes under the Tenancy Agreement after the Joint Venture has become a subsidiary of the Company upon its establishment.
<b>Rental and terms</b>	:	A total of RMB2,346,000 per month payable in arrears on the last day of each calendar month for the period from the date of the Tenancy Agreement to 31 December 2009 (both dates inclusive).

The rent payable pursuant to the terms of the Tenancy Agreement was determined by the parties upon arm's length negotiations based on the rentals of the properties in the vicinity to the Leased Properties and the current rental payable by Wuling Industrial.

#### *Historical amounts*

After the establishment of Wuling Industrial in October 2006, Wuling and Wuling Industrial has entered into an agreement in relation to the lease of the Leased Properties by Wuling to Wuling Industrial with effect from 1 January 2007 at the monthly rental of RMB2,346,000. During the period from 1 January 2007 to 30 April 2007, the rental payable by Wuling Industrial to Wuling under such agreement was RMB9,384,000 in aggregate.

## **Annual cap for the rental payable by the Joint Venture under the Tenancy Agreement**

The annual cap for the rental payable by the Joint Venture to Wuling under the Tenancy Agreement for each of the three financial years ending 31 December 2009 will be not more than RMB16,422,000, approximately RMB28,152,000 and approximately RMB28,152,000 respectively. The annual cap for the year ending 31 December 2007 is determined based on the monthly rental of RMB2,346,000 under the Tenancy Agreement multiplied by the remaining number of months in 2007, while the annual cap for each of the years ending 31 December 2008 and 2009 is determined based on the annual rental payable under the Tenancy Agreement. The Directors consider that execution of the Tenancy Agreement, which is on normal commercial terms, is in the interests of the enlarged Group, which shall include Wuling Industrial Group when Wuling Industrial becomes the Joint Venture, and the Shareholders as a whole, and the terms of the Tenancy Agreement, including the rental payable pursuant thereto as well as the annual cap of the rental payable by the Joint Venture, are fair and reasonable.

## **THE TRADEMARK AGREEMENT**

**Date** : To be entered into on the JV Set-up Date.  
**Licensor** : Wuling.  
**Licensee** : The Joint Venture.

### **Subject of the licence**

Pursuant to the Trademark Agreement, Wuling will grant a non-exclusive licence to the Joint Venture to use the following Trademark (being registered trademarks of Wuling), including the use of the Trademark on the products of the Joint Venture and the use of words “五菱” in the name of the Joint Venture:



The term of the licence shall be for a period from the date of the Trademark Agreement to 31 December 2009 (both dates inclusive). It is the normal business practice to enter into the arrangement as set out in the Trademark Agreement.

### **Licence fee**

A licence fee of RMB2,000,000 per year (equivalent to approximately RMB166,667 per month) shall be payable by the Joint Venture in arrears on 31 December each year during the term of the licence and will be calculated in proportion to the number of months of use of the Trademark by the Joint Venture under the Trademark Agreement if the Trademark is not used by it for a full year.

The terms of the Trademark Agreement, including the licence fee payable thereunder, were determined by the parties upon arm's length negotiations with reference to (i) the audited combined net profit of Wuling Industrial for the financial year ended 31 December 2006 of approximately RMB109,060,000 (based on its audited accounts which were prepared in accordance with the Generally Accepted Accounting Principles of the PRC) (the annual licence fee payable under the Trademark Agreement in the amount of RMB2,000,000 represents approximately 1.83% thereof); and (ii) and the current licence fee payable by Wuling Industrial for the use of the Trademark. The Trademark is important for the Joint Venture in carrying out its business, being the manufacturing of motor vehicle engines, parts and special mini-vehicles, and other related business. It is considered by the parties to the Trademark Agreement that it is appropriate to make reference to the financial results of Wuling Industrial Group for determination of the licence fee payable under the Trademark Agreement.

### *Historical amounts*

After the establishment of Wuling Industrial in October 2006, Wuling and Wuling Industrial have entered into an agreement in relation to the grant of a licence to Wuling Industrial Group to use the Trademark with effect from 1 January 2007 at the annual licence fee of RMB2,000,000 (equivalent to approximately RMB166,667 per month). During the period from 1 January 2007 to 30 April 2007, the licence fee payable by Wuling Industrial to Wuling under such agreement was approximately RMB667,000 in aggregate.

### **Annual cap for the licence fee payable by the Joint Venture under the Trademark Agreement**

The annual cap for the licence fee payable by Wuling Industrial to Wuling under the Trademark Agreement for each of the three financial years ending 31 December 2009 will be not more than RMB1,200,000, RMB2,000,000 and RMB2,000,000 respectively. The annual cap for the year ending 31 December 2007 is determined based on the licence fee under the Trademark Agreement for the remaining number of months in 2007, while the annual cap for each of the years ending 31 December 2008 and 2009 is determined based on the annual licence fee payable under the Trademark Agreement. After taking into account the use of the Trademark by the Joint Venture for its business and the fact that the annual licence fee payable under the Trademark Agreement only represents approximately 1.83% of the audited combined net profit of Wuling Industrial for the year ended 31 December 2006 as a mentioned above, the Directors consider that entering into the Trademark Agreement is in the interests of the enlarged Group, which shall include Wuling Industrial Group when Wuling Industrial becomes the Joint Venture, and the Shareholders as a whole, and the terms of the Trademark Agreement (including the licence fee payable for the Trademark thereunder and the annual cap in relation thereto), which are on normal commercial terms, are fair and reasonable.

### **THE PATENT AGREEMENT**

**Date** : To be entered into on the JV Set-up Date.  
**Licensor** : Wuling.  
**Licensee** : The Joint Venture.

#### **Subject of licence**

Pursuant to the Patent Agreement, Wuling will grant a non-exclusive licence to the Joint Venture to use in aggregate 158 types of patent rights and know-how of Wuling in relation to the manufacturing of motor vehicle engines, parts and special mini-vehicles, and other related business.

The term of the licence shall be for a period from the date of the Patent Agreement to 31 December 2009 (both dates inclusive). It is the normal business practice to enter into the arrangement as set out in the Patent Agreement.

#### **Licence fee**

A licence fee of RMB1,300,000 per year (equivalent to approximately RMB108,333 per month) shall be payable by the Joint Venture in arrears on 31 December each year during the term of the licence and will be calculated in proportion to the number of months of use of the Patent by the Joint Venture under the Patent Agreement if the Patent is not used by it for a full year.

The terms of the Patent Agreement, including the licence fee payable thereunder, were determined by the parties upon arm's length negotiations with reference to (i) the audited combined net profit of Wuling Industrial for the financial year ended 31 December 2006 of approximately RMB109,060,000 (based on its audited accounts which were prepared in accordance with the Generally Accepted Accounting Principles of the PRC) (the annual licence fee payable under the Patent Agreement in the amount of RMB1,300,000 represents approximately 1.19% thereof); and (ii) and the current licence fee payable by Wuling Industrial

for the use of the Patent. The Patent is important for the Joint Venture in carrying out its business, being the manufacturing of motor vehicle engines, parts and special mini-vehicles, and other related business. It is considered by the parties to the Patent Agreement that it is appropriate to make reference to the financial results of Wuling Industrial Group for determination of the licence fee payable under the Patent Agreement.

#### *Historical amounts*

After the establishment of Wuling Industrial in October 2006, Wuling and Wuling Industrial have entered into an agreement in relation to the grant of a licence to Wuling Industrial Group to use the Patent with effect from 1 January 2007 at the annual licence fee of RMB1,300,000 (equivalent to approximately RMB108,333 per month). During the period from 1 January 2007 to 30 April 2007, the licence fee payable by Wuling Industrial to Wuling under such agreement was approximately RMB433,000 in aggregate.

#### **Annual cap for the licence fee payable by the Joint Venture under the Patent Agreement**

The annual cap for the licence fee payable by Wuling Industrial to Wuling under the Patent Agreement for each of the three financial years ending 31 December 2009 will be not more than RMB800,000, RMB1,300,000 and RMB1,300,000 respectively. The annual cap for the year ending 31 December 2007 is determined based on the licence fee under the Patent Agreement for the remaining number of months in 2007, while the annual cap for each of the years ending 31 December 2008 and 2009 is determined based on the annual licence fee payable under the Patent Agreement. After taking into account the use of the Patent by the Joint Venture for its business and the fact that the annual licence fee payable under the Patent Agreement only represents approximately 1.19% of the audited combined net profit of Wuling Industrial for the year ended 31 December 2006 as mentioned above, the Directors consider that entering into the Patent Agreement is in the interests of the enlarged Group, which shall include Wuling Industrial Group when Wuling Industrial becomes the Joint Venture, and the Shareholders as a whole, and the terms of the Patent Agreement (including the annual licence fee payable thereunder and the annual cap in relation thereto), which are on normal commercial terms, are fair and reasonable.

#### **(7) REASONS FOR THE PROPOSED TRANSACTIONS AND THE PROPOSED CONTINUING CONNECTED TRANSACTIONS**

The Group is currently principally engaged in securities dealing and margin financing, money lending and property investment. During the two years ended 31 December 2006, the Group recorded an audited consolidated net loss of approximately HK\$8.76 million and an audited consolidated net profit of approximately HK\$22.07 million respectively.

Wuling Industrial Group is principally engaged in the manufacturing of motor vehicle engines, parts and special mini-vehicles, and other related business in the PRC. Wuling Industrial was established pursuant to the re-organisation of Wuling Group in October 2006. According to the audited accounts of Wuling Industrial Group which were prepared in accordance with the Generally Accepted Accounting Principles of the PRC, its audited combined net asset value was approximately RMB376 million as at 31 December 2006, while its audited combined net profits before and after tax and minority interests for the year ended 31 December 2006 amounted to approximately RMB145.69 million and RMB109.06 million respectively. According to the management accounts of Wuling Industrial Group which were prepared in accordance with Hong Kong Financial Reporting Standards, its unaudited combined net profits before and after tax and minority interests for the year ended 31 December 2006 amounted to approximately RMB317.00 million and RMB276.86 million respectively.

The Directors are of the view that as the demand for automobiles in the PRC remains strong, it is in the interest of the Group by entering into the car manufacturing and related industry in the PRC. Hence, the Directors consider that the investment in Wuling Industrial provides a business opportunity for the

Company to participate in the car manufacturing related industry in the PRC, which in turn will not only diversify the business and markets of the Group, but will also help broadening the Company's revenue base and resulting in positive impact on the Company's profitability in future.

The parties to the Agreements and the Directors consider that upon Wuling Industrial has become the Joint Venture, 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. On that basis, the Share Sale Agreement was entered into by the parties thereto.

At present, Wuling Industrial is a wholly-owned subsidiary of Wuling and the Wuling Industrial Group (i) has occupied the Leased Properties, and (ii) has employed the Trademark and the technology under the Patent for its business and operation.

In order to ensure that the business and operation of Wuling Industrial Group will not be affected after Wuling Industrial becoming the Joint Venture, Wuling and the Joint Venture will enter into the Tenancy Agreement, the Trademark Agreement and the Patent Agreement on the JV Set-up Date. The Directors consider that such arrangement is necessary for the business and operation of the enlarged Group, which shall include Wuling Industrial Group, and it is also in the interests of the enlarged Group and the Shareholders as a whole.

## **(8) INFORMATION ON THE PARTIES**

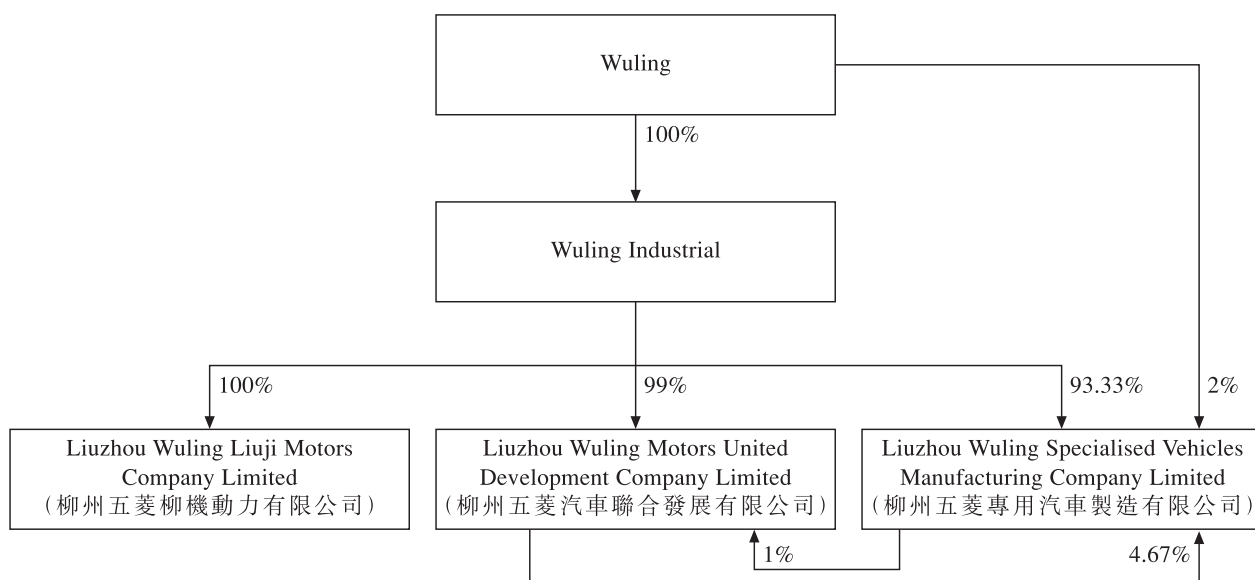
The Company was incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange. The Group is principally engaged in securities dealing and margin financing, money lending and property investment.

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, is interested in 547,459,613 Shares, representing approximately 59.68% of the issued share capital of the Company as at the date of this announcement.

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 (currently 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 the Group and its connected persons.

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:



## (9) SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at 6 March 2007, which was the date of the announcement made by the Company regarding the Previous Framework Agreement; (ii) as at the date of this announcement and immediately before completion of the Share Sale Agreement (based on the information received by Company and notified pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) as at the date of this announcement); and (iii) immediately upon completion of the Share Sale Agreement:

Shareholder	As at 6 March 2007, which was the date of the announcement made by the Company regarding the Previous Framework Agreement		As at the date of this announcement and immediately before completion of the Share Sale Agreement (Note)		Immediately upon completion of the Share Sale Agreement	
	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)
The Controlling Shareholder Wuling Group	547,459,613	71.35	547,459,613	59.68	280,959,613	30.63
Public	219,828,436	28.65	369,828,436	40.32	369,828,436	40.32
Total	<u>767,288,049</u>	<u>100.00</u>	<u>917,288,049</u>	<u>100.00</u>	<u>917,288,049</u>	<u>100.00</u>

*Note:* 150,000,000 Shares were issued pursuant to the exercise in full of warrants of the Company by the holders thereof during the period from 6 March 2007 to the date of this announcement. The holders of such warrants, together with their respective ultimate beneficial owners, have no interest in the Proposed Transactions. As at the date of this announcement, there are no outstanding securities which are convertible into Shares.

## (10) LISTING RULES IMPLICATION

The subscription for 51% of the enlarged registered capital of Wuling Industrial by the Company at the Subscription Money of RMB391 million (equivalent to approximately HK\$394.95 million) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Moreover, Wuling has conditionally agreed to acquire the Sale Shares, which represent approximately 29.05% of the total number of issued Shares as at the date of this announcement, by itself (or by its wholly-owned subsidiary(ies)) pursuant to the Share Sale Agreement. Accordingly, Wuling will become a substantial Shareholder upon completion of the Share Sale Agreement. In addition, it will become a substantial shareholder of the Joint

Venture upon the JV Set-up Date. Wuling will therefore be regarded as a connected person of the Company pursuant to the Listing Rules. Accordingly, the execution of the JV Agreements among the Company, Wuling and Wuling Industrial and the set up of the Joint Venture pursuant thereto constitute connected transactions for the Company under Chapter 14A of the Listing Rules, which require the approval of the Independent Shareholders voting by way of a poll at a general meeting of the Company. In addition, as Wuling and the Joint Venture will become a substantial Shareholder and a subsidiary of the Company respectively upon completion of the Proposed Transactions, the Proposed Continuing Connected Transactions will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon execution of the Continuing Connected Transaction Agreements on the JV Set-up Date. The Proposed Continuing Connected Transactions also require the approval of the Independent Shareholders voting by way of a poll at a general meeting of the Company. The Stock Exchange has indicated that it reserves its right to re-visit the application of the relevant rules on reverse takeover if and when Wuling (together with its associates) becomes a controlling Shareholder (as defined in the Listing Rules).

## **(11) GENERAL**

The SGM will be convened to approve the JV Agreements and the Continuing Connected Transactions Agreements, together with the transactions contemplated thereunder. The Controlling Shareholder and its associates will abstain from voting on the resolutions in respect of the JV Agreements and the Continuing Connected Transactions Agreements and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to consider and advise the Independent Shareholders as to the fairness and reasonableness of the terms of the JV Agreements and the Continuing Connected Transactions Agreements. South China Capital Limited has been appointed to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of those agreements. The appointment of South China Capital Limited has been approved by the Independent Board Committee.

A circular setting out, among other matters, (i) details of the Proposed Transactions and the Proposed Continuing Connected Transactions; (ii) the relevant respective recommendation and advice of the Independent Board Committee and South China Capital Limited; (iii) further information on the Group, Wuling and Wuling Industrial; (iv) the accountants' report of the Wuling Industrial Group; and (v) the notice of SGM will be sent to the Shareholders within 21 days after the date of this announcement.

## **(12) 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 14 May 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 25 May 2007.

## **(13) DEFINITIONS**

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

“Agreements”	the JV Agreements and the Share Sale Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors

“Business Day”	a day, other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Charged Shares”	all of the Shares owned by the Controlling Shareholder upon completion of the Proposed Share Sale which are agreed to be charged to Wuling (or its wholly-owned subsidiary(ies)) under the Share Charge
“Company”	Dragon Hill Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange
“Completion Date”	the date of completion of the Share Sale Agreement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions Agreements”	the Tenancy Agreement, the Trademark Agreement and the Patent Agreement
“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 59.68% of the issued share capital of the Company as at the date of this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantee Period”	the 36 months from the date of the Share Charge
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all of the three independent non-executive Directors, namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Cheng Kin Wah, Thomas, established for the purpose of advising the Independent Shareholders in relation to the JV Agreements, the Continuing Connected Transactions Agreements, together with the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Controlling Shareholder, together with its associates, and who are not involved in any of the Proposed Transactions and the Proposed Continuing Connected Transactions
“Joint Venture”	the joint venture of the Company and Wuling to be set up by converting Wuling Industrial into a sino-foreign joint venture
“JV Agreements”	the JV Capital Increase and Subscription Agreement, the JV Set-up Agreement and the JV Articles of Association



“JV Articles of Association”	the new articles of association to be adopted by Wuling Industrial upon it becoming a sino-foreign joint venture of the Company and Wuling
“JV Business Licence”	the business licence of the Joint Venture to be issued by the relevant State Administration for Industry and Commerce of the PRC following completion of the JV Capital Increase and Subscription Agreement
“JV Capital Increase and Subscription Agreement”	the agreement dated 15 May 2007 entered into by Wuling and the Company in relation to the increase in the registered capital of Wuling Industrial and the subscription for 51% of the enlarged registered capital of Wuling Industrial by the Company
“JV Set-up Agreement”	the joint venture agreement dated 15 May 2007 entered into by Wuling and the Company in relation to the set up of the Joint Venture by converting Wuling Industrial into a sino-foreign joint venture
“JV Set-up Date”	the date on which Wuling Industrial becomes the Joint Venture, namely the date when the JV Business Licence is issued
“Leased Properties”	12 parcels of land and 83 buildings which are located in Liuzhou, Guangxi, the PRC which will be leased by Wuling to the Joint Venture pursuant to the Tenancy Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option previously proposed to be granted by the Company to Wuling pursuant to the Previous Framework Agreement (according to the determination of the parties to the Revised Framework Agreement which has superseded the Previous Framework Agreement, no such option will be granted)
“Patent”	a total of 158 types of patent rights and know-how of Wuling in relation to the manufacturing of motor vehicle engines, parts and special mini vehicles, and other related business which will be licensed to Wuling Industrial Group for its use pursuant to the Patent Agreement
“Patent Agreement”	the agreement to be entered into between Wuling and the Joint Venture in relation to the grant of a licence by Wuling to the Joint Venture to use the Patent
“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
“Previous Framework Agreement”	the framework agreement dated 2 March 2007 entered into by the Company, Wuling and the Controlling Shareholder which set out the principal terms and framework of the proposed investment by the Company in Wuling Industrial, the proposed sale of the Shares by the Controlling Shareholder to Wuling and the proposed grant of the Option to Wuling by the Company (details of which has been set out in the announcement of the Company dated 6 March 2007)

“Proposed Continuing Connected Transactions”	(1) the proposed lease of the Leased Properties by Wuling to the Joint Venture pursuant to the Tenancy Agreement; (2) the proposed grant of a licence by Wuling to the Joint Venture in respect of the use of the Trademark pursuant to the Trademark Agreement; and (3) the proposed grant of a licence by Wuling to the Joint Venture in respect of the use of the Patent pursuant to the Patent Agreement
“Proposed Share Sale”	the proposed sale of the Sale Shares by the Controlling Shareholder to Wuling (or its wholly-owned subsidiary(ies)) at the consideration of HK\$0.29 per Sale Share, the terms and conditions of which are set out in the Share Sale Agreement
“Proposed Transactions”	the proposed investment by the Company in Wuling Industrial and the Proposed Share Sale
“Revised Framework Agreement”	the framework agreement dated 26 April 2007 entered into by the Company, Wuling and the Controlling Shareholder which has set out the principal terms and framework of the proposed investment by the Company in Wuling Industrial and the proposed sale of the Shares by the Controlling Shareholder to Wuling and has superseded the Previous Framework Agreement (details of which have been set out in the announcement of the Company dated 26 April 2007)
“RMB”	Renminbi, the lawful currency of PRC
“Sale Shares”	266,500,000 Shares agreed to be sold by the Controlling Shareholder to Wuling pursuant to the Share Sale Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to seek Independent Shareholders’ approval in respect of the JV Agreements, the Continuing Connected Transactions Agreements, together with the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Share Sale Agreement”	the agreement dated 15 May 2007 entered into between the Controlling Shareholder and Wuling in connection with the Proposed Share Sale
“Shareholder(s)”	holder(s) of the Share(s)
“Share Charge”	the proposed charge of the Charged Shares to Wuling (or its wholly-owned subsidiary(ies)) by the Controlling Shareholder pursuant to the Share Charge Documents
“Share Charge Documents”	documents to be executed by the Controlling Shareholder in favour of Wuling (or its wholly-owned subsidiary(ies)) in respect of the Share Charge
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Money”	the total amount of approximately RMB391 million (equivalent to approximately HK\$394.95 million) payable by the Company to Wuling Industrial in respect of the Company’s subscription for 51% of the enlarged registered capital of Wuling Industrial pursuant to the JV Capital Increase and Subscription Agreement

“Tenancy Agreement”	the agreement to be entered into between Wuling and the Joint Venture in connection with the lease of the Leased Properties by the Joint Venture from Wuling
“Trademark”	certain registered trademarks of Wuling, details of which are set out in the paragraph headed “The Trademark Agreement” of this announcement, to be licenced to Wuling Industrial Group for its use pursuant to the Trademark Agreement
“Trademark Agreement”	the agreement to be entered into between Wuling and the Joint Venture in relation to the grant of a licence by Wuling to Wuling Industrial Group to use the Trademark
“Wuling”	柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited), a wholly state-owned limited enterprise 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 (or the Joint Venture upon its establishment) and its subsidiaries

On behalf of the Board  
**Dragon Hill Holdings Limited**  
**Lee Shing**  
*Chairman*

Hong Kong, 23 May 2007

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

<i>Executive Directors:</i>	<i>Independent non-executive Directors:</i>
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.*

\* *For identification purpose only*

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