DRAGON HILL WULING AUTOMOBILE HOLDINGS LIMITED

俊 山 五 菱 汽 車 集 團 有 限 公 司 *

(Formerly Dragon Hill Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock code: 305)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The directors of Dragon Hill Wuling Automobile Holdings Limited (the "Company") herein present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	Unaudited
		Six months ended 30 June	
		2007	2006
	Notes	***HK$***	*HK$*
REVENUE	2, 3	**10,425,338**	4,706,918
Other income and gains	2, 3	**7,743,884**	34,059,536
Cost of trading equity investments sold		**(7,254,407)**	(1,419,621)
Administrative expenses		**(6,798,544)**	(6,726,153)
Other operating expenses		**(1,752,478)**	(2,474,224)
Finance costs		**(405,616)**	(3,244,616)
PROFIT BEFORE TAX	4	**1,958,177**	24,901,840
TAX	5	**—**	—
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,958,177**	24,901,840
EARNINGS PER SHARE	6		
Basic		**0.24 (cent)**	4.05 (cents)
Diluted		**0.24 (cent)**	1.16 (cents)
INTERIM DIVIDEND	7	**Nil**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 30 June 2007** *HK$*	Audited 31 December 2006 *HK$*
NON-CURRENT ASSETS			
Property, plant and equipment	8	**13,627,417**	11,641,187
Investment properties	8	**17,920,000**	15,814,000
Intangible assets		**875,556**	875,556
Deposit for purchase of a property		**—**	192,900
Total non-current assets		**32,422,973**	28,523,643
CURRENT ASSETS			
Loans receivable	9	**859,260**	15,221,335
Accounts receivable	10	**9,964,311**	9,298,750
Prepayments, deposits and other receivables		**708,760**	1,420,845
Equity investments designated at fair value through profit or loss		**8,820,294**	2,906,702
Client trust bank accounts		**7,021,803**	6,092,776
Cash and cash equivalents		**67,681,104**	7,606,554
Total current assets		**95,055,532**	42,546,962
CURRENT LIABILITIES			
Accounts payable	11	**20,342,345**	14,826,064
Other payables and accruals		**4,867,865**	5,314,127
Interest-bearing bank borrowings		**826,677**	808,000
Tax payable		**52,034**	52,034
Total current liabilities		**26,088,921**	21,000,225
NET CURRENT ASSETS		**68,966,611**	21,546,737
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,389,584**	50,070,380

	Notes	**Unaudited 30 June 2007** *HK$*	Audited 31 December 2006 *HK$*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**16,267,904**	16,687,059
Deferred tax liabilities		**19,000**	19,000
Total non-current liabilities		**16,286,904**	16,706,059
NET ASSETS		**85,102,680**	33,364,321
EQUITY			
Issued share capital	12	**3,669,152**	3,069,152
Reserves		**81,433,528**	30,295,169
Total equity		**85,102,680**	33,364,321

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Convertible preference shares	Share premium account	Contributed surplus	Fixed assets revaluation reserve	Other reserve	Accumulated losses	Total Equity
	Attributable to equity holders of the Company							
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
As at 1 January 2006	61,502,418	—	168,315,330	36,548,052	1,731,450	—	(321,923,777)	(53,826,527)
Capital reduction	(60,887,394)	—	—	60,887,394	—	—	—	—
Issue of convertible preference shares	—	48,000,170	—	—	—	—	—	48,000,170
Released upon disposal of subsidiaries	—	—	—	—	(1,731,450)	—	1,731,450	—
Profit for the period	—	—	—	—	—	—	24,901,840	24,901,840
As at 30 June 2006 and 1 July 2006	615,024	48,000,170	168,315,330	97,435,446	—	—	(295,290,487)	19,075,483
Rights issue	307,512	—	9,394,494	—	—	—	—	9,702,006
Conversion of convertible preference shares	2,023,616	(48,000,170)	45,976,554	—	—	—	—	—
Issue of shares	123,000	—	6,125,400	—	—	—	—	6,248,400
Share issue expenses	—	—	(1,225,429)	—	—	—	—	(1,225,429)
Issue of warrants	—	—	—	—	—	2,400,000	—	2,400,000
(Loss) for the period	—	—	—	—	—	—	(2,836,139)	(2,836,139)
As at 31 December 2006 and 1 January 2007	3,069,152	—	228,586,349	97,435,446	—	2,400,000	(298,126,626)	33,364,321
Issue of shares on exercise of warrants	600,000	—	51,580,182	—	—	(2,400,000)	—	49,780,182
Profit for the period	—	—	—	—	—	—	1,958,177	1,958,177
As at 30 June 2007	3,669,152	—	280,166,531	97,435,446	—	—	(296,168,449)	85,102,680
			*	*	*	*	*	

* *The consolidated reserves in the unaudited condensed consolidated balance sheet comprise share premium account, contributed surplus, fixed assets revaluation reserve and accumulated losses with an unaudited net credit balance of HK$81,433,528 (31 December 2006: audited net credit balance of HK$30,295,169 and 30 June 2006: unaudited net debit balance of HK$29,539,711).*

1. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The principal accounting policies and basis of preparation used in the unaudited condensed financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31 December 2006, except for the adoption of the following new standard, amendment and interpretations ("new HKFRSs") that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs has had no material impact on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) — Int 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers different types of services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- The securities dealing and margin finance segment provides securities dealing services in acquiring, disposing of and subscribing for securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and financial accommodation to facilitate the trading of these marketable securities.

- The securities investment segment includes trading in securities and holding of securities investments.

- The consumer finance segment comprises the granting of personal loans.

- The property holding segment involves in property investment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

The Group's unaudited revenue and results by business segments for the period ended 30 June are as follows:

Business segments

	Unaudited six months ended 30 June 2007				
	Securities dealing and margin finance *HK$*	**Securities investment** *HK$*	**Consumer finance** *HK$*	**Property holding** *HK$*	**Consolidation** *HK$*
Segment revenue:					
Services provided to external customers	**1,631,190**	**8,141,200**	**312,055**	**—**	**10,084,445**
Other revenue	**102,893**	**89,194**	**—**	**326**	**192,413**
Rental income	**—**	**—**	**—**	**340,893**	**340,893**
Total revenue	**1,734,083**	**8,230,394**	**312,055**	**341,219**	**10,617,751**
Segment results	**(879,392)**	**5,512,677**	**682,650**	**1,833,391**	**7,149,326**
Unallocated revenue and gains					**179,205**
Unallocated expenses					**(4,965,279)**
Unallocated finance costs					**(405,075)**
Profit before tax					**1,958,177**
Tax					**—**
Profit for the period					**1,958,177**

	Unaudited six months ended 30 June 2006				
	Securities dealing and margin finance *HK$*	Securities investment *HK$*	Consumer finance *HK$*	Property holding *HK$*	Total *HK$*
Segment revenue:					
Services provided to external customers	1,640,803	1,468,103	502,260	—	3,611,166
Other revenue	134,587	17,790	—	—	152,377
Rental income	—	—	—	1,100,700	1,100,700
Total revenue	1,775,390	1,485,893	502,260	1,100,700	4,864,243
Segment results	(2,303,763)	635,316	(427,233)	12,914,274	10,818,594
Unallocated revenue and gains					21,498,991
Unallocated expenses					(4,555,207)
Unallocated finance costs					(2,860,538)
Profit before tax					24,901,840
Tax					—
Profit for the period					24,901,840

Geographical segments

Except for the appreciation in value of the listed investments in the Philippines which contributed approximately HK$4.6 million to the segment results for the six months ended 30 June 2007 as recorded under the business segment of "Securities investment", the Group's main operation is situated at Hong Kong in which revenue generated accounted for almost all of the total revenue for the six months ended 30 June 2007.

3. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	Unaudited	Unaudited
	Six months ended 30 June	
	2007	2006
	HK$	*HK$*
Revenue		
Commissions and interest income from securities dealing and margin finance	**1,631,190**	1,635,855
Interest income from consumer finance	**312,055**	502,260
Gross property rental income	**340,893**	1,100,700
Proceeds from the sale of equity investments at fair value through profit or loss	**8,141,200**	1,468,103
	10,425,338	4,706,918
Other income		
Dividend income from listed investments	**88,959**	17,790
Recovery of bad debts	**702,774**	962,276
Bank interest income	**251,176**	103,042
Others	**31,483**	54,975
	1,074,392	1,138,083
Gains		
Changes in fair value of equity investments designated at fair value through profit or loss	**4,563,492**	439,584
Changes in fair value of investment properties	**2,106,000**	—
Gain on disposal of subsidiaries	**—**	12,408,167
Gain on the waiver of loan advances and related interest by the former holding companies and a former fellow subsidiary	**—**	20,073,702
	6,669,492	32,921,453
Other income and gains	**7,743,884**	34,059,536

4. PROFIT BEFORE TAX

	Unaudited	Unaudited
	Six months ended 30 June	
	2007	2006
	HK$	*HK$*
The Group's profit before tax is arrived at after charging:		
Depreciation	**491,769**	1,507
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**2,657,397**	1,694,519
Pension scheme contributions	**166,603**	45,134
	3,315,769	1,741,160
Minimum lease payments under operating leases in respect of land and buildings	**137,800**	1,100,700
and after crediting:		
Bank interest income	**251,176**	103,042
Interest income for loans receivable	**709,582**	1,267,093
	960,758	1,370,135
Gain on disposal of equity investments at fair value through profit or loss account	**886,793**	48,482

5. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the periods ended 30 June 2007 and 30 June 2006.

6. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the net profit for the period attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the net profit for the period attributable to equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. As at 30 June 2007, there is no convertible preference shares, warrants and share options outstanding.

The calculation of basic and diluted earnings per share are based on:

	Unaudited	Unaudited
	Six months ended 30 June	
	2007	2006
	HK$	*HK$*
Earnings		
Net Profit attributable to shareholders for the period, used in the basic earnings per share calculation	**1,958,177**	24,901,780

	Six months ended 30 June	
	2007	2006
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**807,067,054**	615,024,175
Effect of dilution — weighted average		
Convertible preference shares	**N/A**	1,521,400,000
Share options	**N/A**	7,200,000
	N/A	2,143,624,175

7. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period (six months ended 30 June 2006: Nil).

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The addition of property, plant and equipment are mainly attributed to the addition of a staff quarter for the temporary use by staff. This property is acquired in January 2007 at a consideration of approximately HK$1.7 million. The other additions to property, plant and equipment represent additions of leasehold improvements and equipment.

The Group's investment properties are all situated in Hong Kong and are held under long term leases. The Group's investment properties were revalued on 31 May 2007 by Vigers Appraisal & Consulting Limited, independent professionally qualified valuers, at HK$17.9 million on an open market, existing use basis. The Directors has ascertained that the valuation is close to their respective market values as at 30 June 2007. The resulting increases in fair value of the investment properties of HK$2.1 million have been recognized directly in the condensed consolidated income statement.

9. LOANS RECEIVABLE

Loans receivable comprise margin clients accounts receivable and consumer finance loan receivable of HK$859,260 (31 December 2006: HK$8,205,719) and Nil (31 December 2006: HK$7,015,616), respectively.

The margin clients accounts receivable are secured by the underlying pledged securities, repayable on demand and bear interest at annual effective rate of 11% (2006: 11% to 11.25%). No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not relevant in view of the nature of the business of securities margin financing. As at period end, the Company has no clients under consumer finance.

10. ACCOUNTS RECEIVABLE

Accounts receivable arise from the Group's securities dealing and brokerage business with settlement terms of two days after the trade date.

Details of the accounts receivable of the Group as at the balance sheet date, based on the transaction date and net of provisions, are as follows:

	Unaudited 30 June 2007 *HK$*	Audited 31 December 2006 *HK$*
Not yet due	**9,964,311**	8,982,258
0–30 days	**—**	316,492
	9,964,311	9,298,750

The accounts receivable are non-interest-bearing. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risks.

11. ACCOUNTS PAYABLE

Accounts payable arise from the Group's securities dealing and brokerage business with settlement terms of two days after the trade date.

Details of the accounts payable of the Group as at the balance sheet date, based on the transaction date, are as follows:

	Unaudited 30 June 2007 *HK$*	Audited 31 December 2006 *HK$*
Not yet due	**14,068,113**	8,752,427
0–30 days	**4,472,659**	3,581,524
Over 30 days	**1,801,573**	2,492,113
	20,342,345	14,826,064

Accounts payable are non-interest-bearing.

12. SHARE CAPITAL

A summary of the movements in the Company's authorized and issued share capital, and share premium account is as follows:

	Authorised		**Issued and fully paid**		**Share Premium Account**
	Number of Shares	*Amount HK$*	*Number of Shares*	*Amount HK$*	*HK$*
Ordinary shares of HK$0.004 each	25,000,000,000	100,000,000	767,288,049	3,069,152	228,586,349
Issue of new shares on exercise of warrants *(Note)*	—	—	150,000,000	600,000	51,580,182
	25,000,000,000	100,000,000	917,288,049	3,669,152	280,166,531
Convertible preference shares of HK$0.001 each	1,521,400,000	1,521,400	—	—	—
Total issued share capital At 30 June 2007				3,669,152	280,166,531
At 31 December 2006				3,069,152	228,586,349

Note: On 14 May 2007, new shares of 150,000,000 are issued pursuant to the exercise of 150,000,000 warrants by the warrantholders at an exercise price of HK$0.332 per share. This created an additional share capital of HK$600,000 and a share premium of HK$51,580,182.

13. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Unaudited	Unaudited
	Six months ended 30 June	
	2007	2006
	HK$	*HK$*
Interest expenses charged by former immediate holding company *(note i)*	**—**	1,412,584
Interest expenses charged by former intermediate holding company *(note i)*	**—**	1,832,032
Waiver of loan advances and related interest by the former holding companies and a former fellow subsidiary *(note ii)*	**—**	20,073,302
Management fee income charged to a former fellow subsidiary *(note iii)*	**—**	22,950
	—	23,340,868

(b) Compensation of key management personnel of the Group

	Unaudited	Unaudited
	Six months ended 30 June	
	2007	2006
	HK$	*HK$*
Short term employee benefits	**1,889,020**	763,943
Post-employment benefits	**86,274**	356,710
Total compensation paid to key management personnel	**1,975,294**	1,120,653

Notes:

(i) The ultimate holding company of the Group was changed from Magnum Corporation Berhad to Dragon Hill Development Limited on 20 June 2006 upon completion of the Share Sale Agreement (as defined in the circular of the Company dated 29 April 2006), which details had been fully described in the Company's circular dated 29 April 2006 and 22 June 2006.

The interest expenses recorded for the six months ended 30 June 2006 referred to the interest expenses charged by Magnum Guernsey Limited ("MGL"), the former immediate holding company, and Magnum Enterprise Sdn Bhd ("MESB"), the former intermediate holding company.

(ii) The gain on the wavier of loan advances and related interest recorded for the six months ended 30 June 2006 was arisen from the entering of a deed of settlement on 20 June 2006 among the Group, Dragon Hill Development Limited, MGL, MESB, and Magnum Investment Limited ("MIL"), a former fellow subsidiary, on the settlement of the outstanding advances and related interest payables due by the Group to MGL, MESB and MIL as accrued up to 20 June 2006.

(iii) The management fee income recorded for the six months ended 30 June 2006 was related to the administrative services provided to a former fellow subsidiary.

14. POST BALANCE SHEET EVENTS

On 15 May 2007, the Company entered into the following agreements with Liuzhou Wuling Motors Company Limited 柳州五菱汽車有限責任公司 ("Wuling") in relation to the proposed formation of a sino-foreign joint venture enterprise ("Wuling Joint Venture") for the development of the manufacturing and trading businesses of motor vehicle engines, parts and special vehicles in the People's Republic of China ("PRC"):

a) an agreement in relation to the increase in the registered capital of Wuling Joint Venture and the subscription of 51% of the enlarged registered capital of Wuling Joint Venture by the Company at the total amount of RMB391 million ("Subscription Money"); and

b) a joint venture agreement in relation to the establishment of the Wuling Joint Venture by converting Wuling into a sino-foreign joint venture.

The Subscription Money shall be payable by the Company in cash in two stages as follows:

i) 20% of the Subscription Money which amounts to RMB78.2 million will be paid within 30 days from the set up date of Wuling Joint Venture ("First Subscription Money"); and

ii) the remaining 80% of the Subscription Money which amounts to RMB312.8 million will be paid within 2 years from the set up date of Wuling Joint Venture.

The proposed investment in Wuling Joint Venture, which constituted a very substantial acquisition and a connected transaction for the Company under the Listing Rules, was approved by the independent shareholders in the special general meeting of the Company held on 12 July 2007. On 28 August 2007, the Company further announced that Wuling Joint Venture has been formally set up and has become a 51%-owned subsidiary of the Company. Details of which have been fully stated in the Company's circular dated 25 June 2007 and the Company's announcement dated 28 August 2007. On 31 August 2007, the Company remitted the First Subscription Money to the designated bank account of Wuling Joint Venture in accordance with the terms of the aforesaid agreements. Additional bank loans amounting to HK$35 million were obtained and drawn down by the Company to finance the First Subscription Money.

BUSINESS REVIEW

The principal business activities of the Group during the first half of 2007 continue to be: (1) securities dealing and brokerage and provision of margin financing; (2) securities trading and investment holding; (3) money lending; and (4) property investment.

During the first half of 2007, the Group recorded revenue of HK$10.4 million, representing an increase of 121.5% compared to the first half of 2006. This was mainly attributable to the increase in the securities trading activities of the Group from HK$1.5 million in the first half of 2006 to HK$8.1 million in the first half of 2007 in response to the active stock market in Hong Kong. Commission and interest income from securities dealing and margin finance businesses for the first half of 2007 maintained at almost the same level as the corresponding period's figures in last year and contributed approximately HK$1.6 million to the Group's total turnover. On the other hand, due to the disposal of the Group's interests in Lismore Properties Limited and its respective subsidiaries (the "Lismore Group") to Magnum (Guernsey) Limited in 2006, revenue from property investment declined from HK$1.1 million to HK$0.3 million for the respective reporting periods.

Administrative expenses and operating expenses in aggregate amounted to approximately HK$8.6 million for the first half of 2007, which was slightly decreased compared to the corresponding period. Meanwhile, finance costs reduced substantially from HK$3.2 million to HK$0.4 million for the respective reporting periods due to the improved debt position of the Group following a series of fund raising exercises took place after the change of the controlling shareholder in last year.

Net profits for the first half of 2007 amounted to approximately HK$2.0 million which was mainly attributable to the unrealized gains on equity investments of HK$4.6 million and the appreciation in value of the investment properties held by the Group of HK$2.1 million, as compared to the net profits of HK$24.9 million for the first half of 2006 which was mainly attributable to the gain from the disposal of the Lismore Group and the waiver of the loan advances and related interest charged by Magnum (Guernsey) Limited, Magnum Enterprise Sdn Bhd and Magnum Investment Limited amounting to HK$32.5 million.

The financial position of the Group had been further strengthened in the first half of 2007. As at 30 June 2007, the Group's net asset value stood at HK$85.1 million which increased substantially by 155.1% as compared to the last reporting period as of 31 December 2006. The increase was mainly attributable to the issue of 150,000,000 new shares of the Company from the exercise of the warrants of the Company in May 2007 of which approximately HK$50 million of cash was raised for the Company.

On 15 May 2007, the Company entered into agreements with Liuzhou Wuling Motors Company Limited 柳州五菱汽車有限責任公司 ("Wuling") in relation to the proposed formation of a sino-foreign joint venture enterprise ("Wuling Joint Venture") for the development of the manufacturing and trading businesses of motor vehicle engines, parts and special vehicles in the People's Republic of China ("PRC"). The proposed investment in Wuling Joint Venture, which amounted to RMB391 million in total, and constituted a very substantial acquisition and a connected transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, was approved by the independent shareholders in the special general meeting of the Company held on 12 July 2007. On 28 August 2007, the Company further announced that the Wuling Joint Venture has been formally set up and has become a 51%-owned subsidiary of the Company.

Pursuant to the share sale agreement entered into between the controlling shareholder, Dragon Hill Development Limited ("DHDL") and Wuling on 15 May 2007, and after the establishment of Wuling Joint Venture, Wuling (Hong Kong) Holdings Limited, a wholly-owned subsidiary of Wuling, acquired an approximately 29.05% issued share capital from DHDL on 28 August 2007 and became the second largest shareholder of the Company. The management expects this strategic move of Wuling will enhance the foundation of cooperation between the Company and Wuling which will be beneficial to the long term growth of the Group.

To signify the aforementioned significant development to the Group, the name of the Company has been changed to Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司) with effect from 31 August 2007.

PROSPECTS

The management believes the business environment for its securities dealing and brokerage division will continue to be tough and challenging. The abolition of the minimum commission and the active participation of the banks in the retail securities market create a highly competitive business environment to the local brokers. Nevertheless, the Group will continue to seek suitable business opportunities and to implement effective cost control processes to ensure the competitiveness in the securities industry.

The Group, which holds 51% of Wuling Joint Venture upon its establishment, has confidence in the potential in the automobile industry in the PRC in view of the continuous growing economy and rising affluence of the people. The setup of Wuling Joint Venture enables the Group to have the opportunity to participate in the car manufacturing related industry with a reputable state-owned enterprise, which possesses extensive market experiences, and in turn will not only help to diversify the business and markets of the Group, but will also broaden the Company's revenue base and resulting in positive impact on the Company's profitability in future.

MANAGEMENT DISCUSSION AND ANALYSIS

Comments on segment information

During the six months period under review, revenue from (1) securities dealing and brokerage and margin finance; and (2) securities trading and investment continued to be the main business segments of the Group which accounted for 16% and 78% respectively of the total revenue. Geographically, revenue generated in Hong Kong accounted for almost all of the total revenue for the six months ended 30 June 2007. As for other income and gain, approximately HK$4.6 million was contributed by the appreciation in value of the Group's listed investments in the Philippines during the period.

Liquidity and capital structure

The financial and the liquidity position of the Group had been further strengthened for the six months period under review. As at 30 June 2007, the Group maintained total net asset value of HK$85.1 million, representing a significant increase of 155.1% compared to the last reporting period as at 31 December 2006. The increase was mainly attributable to the issue of 150,000,000 new shares of the Company from the exercise of the warrants of the Company in May 2007 of which approximately HK$50 million of cash was raised for the Company.

The cash and cash equivalents maintained by the Group as at 30 June 2007 amounted to HK$67.7 million, in which approximately HK$45.6 million, together with the new bank loans amounting to HK$35 million, subsequently obtained and drawn down for the specific purpose, has been paid to Wuling Joint Venture in pursuance of the first stage subscription in August 2007.

Significant investments held

The Group holds some listed investments in Hong Kong and the Philippines. As at 30 June 2007, such investments amounted to HK$8.8 million.

Pledge of assets

As at 30 June 2007, the office premises and the investment properties held by the Group with an aggregate value of approximately HK$31 million have been pledged to secure the bank loans.

Exposure to fluctuation in exchange rates

Except for the listed investments in the Philippines, the Group's main businesses and assets are geographically located in Hong Kong, its exposure to fluctuations in exchange rates and currencies are not significant during the period.

Contingent Liabilities

As at 30 June 2007, there were no material contingent liabilities to the Group.

Remuneration of employees

As at 30 June 2007, the Group had 22 employees, including directors and senior management. The standard remuneration package of the employees include salaries, commissions (as appropriate), a medical scheme, a company's provident fund scheme, a company's share option scheme, a year end double pay and a discretionary bonus based on performance, in which the salaries are subject to annual revision.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

As at 30 June 2007, there was no share option being granted outstanding, exercised, cancelled and lapsed in accordance to the share option scheme as adopted by the Company on 11 June 2002.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Main Board Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the interim report, except for the following deviations:

Code Provision A.2.1

Code Provision A.2.1 stipulated that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The Chairman and CEO of the Company is Mr. Lee Shing who is primarily responsible for leading the Board, ensuring the effectiveness on all aspects of its role, whereas clearly established responsibilities for running of the business operations of the Group lie with different designated senior executives.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a clear division of responsibility for the running of the business of the Group.

Code Provision A.4.1

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term, subject to re-election. The Company's independent non-executive directors were initially not appointed for a specified term, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-laws.

To ensure compliance with Code Provision A.4.1, the Company has entered into service contracts with the independent non-executive directors for specific term of three years effective from 25 May 2007 following their re-election in the annual general meeting held on 25 May 2007 ("2007 AGM").

Code Provision A.4.2

Code Provision A.4.2 stipulated that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the former Company's Bye-laws, at each annual general meeting, one-third of the directors for the time being or, if their number is not 3 or a multiple of 3, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the chairman of the directors and the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

In order to ensure compliance with Code Provision A.4.2, a special resolution has been proposed and approved at the 2007 AGM, in which the relevant Company's Bye-laws has been amended and become effective thereafter, such that all directors will be subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

COMPLIANCE WITH MODEL CODE

The Company has adopted its own code of securities transactions by directors ("Own Code") on terms no less exactly than the required standard set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules.

Having made specific enquiry of all directors, save as already disclosed elsewhere in this Report, directors of the Company have confirmed that they have complied with the required standards set out in the Model Code and in the Own Code throughout the six months period ended 30 June 2007. The Company has also established its own written guidelines for relevant employees of the Company who are likely to be in possession of the unpublished price-sensitive information of the Company in respect of their dealings in the securities of the Company.

AUDIT COMMITTEE

The Audit Committee, comprising the three independent non-executive directors, namely Mr. Cheng Kin Wah, Thomas (the Chairman), Mr. Yu Xiumin and Mr. Zuo Duofu, is established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee are disclosed on the website of the Company.

The unaudited interim financial statements for the six months ended 30 June 2007 have been reviewed by the Audit Committee, who has no disagreement prior to recommending them to the Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee, comprising the three independent non-executive directors, namely Mr. Zuo Duofu (the Chairman), Mr. Yu Xiumin and Mr. Cheng Kin Wah, Thomas, is established for the purposes of making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

APPOINTMENT OF NEW DIRECTORS

Following the establishment of the Wuling Joint Venture and Wuling becoming a strategic shareholder of the Company, Mr. He Shiji, Mr. Sun Shaoli and Mr. Wei Hongwen have been nominated and appointed as executive directors of the Company with effect from 10 September 2007.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND OF THE COMPANY

All information as required under paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company's website (http://www.dragonhill.com.hk) in due course.

ON BEHALF OF THE BOARD

Lee Shing
Chairman
Hong Kong
24 September 2007

As at the date of this announcement, the Board comprises Mr. Lee Shing (Chairman and Chief Executive Officer), Mr. He Shiji (Vice-chairman), Mr. Sun Shaoli, Mr. Wei Hongwen, Ms. Liu Yaling, Mr. Pei Qingrong and Mr. Wang Shaohua as executive directors and Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Cheng Kin Wah, Thomas as independent non-executive directors.

* *For identification purpose only.*