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

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

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
WE SALE TRANSACTIONS, GL WATER AND POWER SUPPLY SERVICES
AND KE PURCHASE TRANSACTIONS**

References are made to the announcements of the Company dated 15 October 2008 and 18 December 2008 respectively in relation to, among others, the following continuing connected transactions for the Company under the Listing Rules:

- (1) the WE Sale Transactions pursuant to the Original WE Sale Agreement;
- (2) the GL Water and Power Supply Services pursuant to the Original GL Supply Agreement; and
- (3) the KE Purchase Transactions pursuant to the Original KE Purchase Agreement.

All of the Original WE Sale Agreement, the Original GL Supply Agreement and the Original KE Purchase Agreement expired on 31 December 2008.

As the transactions contemplated under each of the Original WE Sale Agreement, the Original GL Supply Agreement and the Original KE Purchase Agreement are expected to continue after the expiration of their respective terms, the Group, on 23 January 2009, entered into (i) the New WE Sale Agreement with Wuling Export on substantially the same terms as the Original WE Sale Agreement for a term of one year from 1 January 2009 to 31 December 2009; and (ii) the New GL Supply Agreement with Guangling on substantially the same terms as the Original GL Supply Agreement for a term of three years from 1 January 2009 to 31 December 2011; and (iii) the New KE Purchase Agreement with KE Digital on substantially the same terms as the Original KE Purchase Agreement for a term of three years from 1 January 2009 to 31 December 2011.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions contemplated under each of the New WE Sale Agreement, the New GL Supply Agreement and the New KE Purchase Agreement is, on an annual basis, less than 2.5% under Rule 14A.34 of the Listing Rules, such transactions are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE NEW WE SALE AGREEMENT

Reference is made to the announcement of the Company dated 15 October 2008 in relation to, among others, the Original WE Sale Agreement. The Original WE Sale Agreement expired on 31 December 2008. On 23 January 2009, Wuling Industrial and Wuling Export entered into the New WE Sale Agreement in relation to the WE Sale Transactions (being the sales of cars, engines and parts by the Wuling Industrial Group to Wuling Export for export purpose) to renew the term of the Original WE Sale Agreement for one year from 1 January 2009 to 31 December 2009. Pursuant to the New WE Sale Agreement, the parties thereto have agreed that the maximum aggregate value for the WE Sale Transactions shall be RMB8.5 million (equivalent to approximately HK\$9.6 million) for the year ending 31 December 2009.

It was also set out in the New WE Sale Agreement that Wuling Industrial and Wuling Export have agreed that:

- a. each of WE Sale Transactions under the New WE Sale Agreement will be conducted (i) in the ordinary and usual course of business of the Wuling Industrial Group; (ii) on an arm's length basis; and (iii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Wuling Industrial Group no less favourable than terms available to Independent Third Parties;
- b. the WE Sale Transactions under the New WE Sale Agreement will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the WE Sale Transactions under the New WE Sale Agreement, will be set out in the Company's next annual report following the occurrence of the relevant WE Sale Transactions under the New WE Sale Agreement; and
- c. Wuling Export will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the WE Sale Transactions under the New WE Sale Agreement.

Annual Cap

It is proposed that the annual cap in respect of the WE Sale Transactions under the New WE Sale Agreement for the year ending 31 December 2009 is RMB8.5 million (equivalent to approximately HK\$9.6 million). During the year ended 31 December 2008 (being the first year for the Group commencing this particular business activity), the aggregate amount of the WE Sale Transactions under the Original WE Sale Agreement was approximately RMB7.5 million (equivalent to approximately HK\$8.5 million) and was within the annual cap of RMB10 million (equivalent to approximately HK\$11.3 million) as disclosed in the announcement of the Company dated 15 October 2008.

The basis of the above annual cap for the year ending 31 December 2009 is determined with reference to (a) the historical amount of the WE Sale Transactions under the Original WE Sale Agreement during the year ended 31 December 2008; and (b) the expected exporting sales of the Wuling Industrial Group for the year ending 31 December 2009, which consists primarily the number of specialised vehicles projected to be exported through Wuling Export for the year 2009.

The Directors confirm that the aggregate amount of the WE Sale Transactions for the period from 1 January 2009 to the date of this announcement have not exceeded the threshold under Rule 14A.33(3) of the Listing Rules.

Reasons for the New WE Sale Agreement

Wuling Export is principally engaged in the export and import of various types of merchandises, including specialised vehicles, and technical know-how. Liuzhou Wuling, being a Substantial Shareholder of the Company, is beneficially interested in the entire equity interest of Wuling Export.

The Group, including the Wuling Industrial Group, is principally engaged in the business of manufacturing and trading of engines, automotive components and specialised vehicles in the PRC as well as the procurement services of raw materials, water and power supply. In order to promote its products to overseas market, the Group would like to engage Wuling Export as an export agent of its cars, engines and parts.

The Directors, including the independent non-executive Directors, consider that the WE Sale Transactions under the New WE Sale Agreement will be conducted in the ordinary and usual course of business of the Group. In addition, each of the WE Sale Transactions under the New WE Sale Agreement will be negotiated on an arm's length basis and will be conducted on normal commercial terms or on terms to the Group no less favourable than those available to Independent Third Parties. Therefore, the Directors, including the independent non-executive Directors, consider that the terms, including the annual cap, of the WE Sale Transactions under the New WE Sale Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

THE NEW GL SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 15 October 2008 in relation to, among others, the Original GL Supply Agreement. The Original GL Supply Agreement expired on 31 December 2008. On 23 January 2009, Wuling Industrial and Guangling entered into the New GL Supply Agreement in relation to the GL Water and Power Supply Services (being the provision of water and power supply services by the Wuling Industrial Group to Guangling) to renew the term of the Original GL Supply Agreement for three years from 1 January 2009 to 31 December 2011. Pursuant to the New GL Supply Agreement, the parties thereto have agreed that the maximum aggregate value for the GL Water and Power Supply Services shall be RMB1.4 million, RMB1.7 million and RMB2 million respectively (equivalent to approximately HK\$1.6 million, HK\$1.9 million and HK\$2.3 million respectively) for each of the three years ending 31 December 2011.

It was also set out in the New GL Supply Agreement that Wuling Industrial and Guangling have agreed that:

- a. each of GL Water and Power Supply Services under the New GL Supply Agreement will be conducted (i) in the ordinary and usual course of business of the Wuling Industrial Group; (ii) on an arm's length basis; and (iii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Wuling Industrial Group no less favourable than terms available to Independent Third Parties;

- b. the GL Water and Power Supply Services under the New GL Supply Agreement will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GL Water and Power Supply Services under the New GL Supply Agreement, will be set out in the Company's next annual report following the occurrence of the relevant GL Water and Power Supply Services under the New GL Supply Agreement; and
- c. Guangling will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the GL Water and Power Supply Services under the New GL Supply Agreement.

Annual Cap

It is proposed that the annual caps in respect of the GL Water and Power Supply Services under the New GL Supply Agreement for each of the three years ending 31 December 2011 are RMB1.4 million, RMB1.7 million and RMB2 million respectively (equivalent to approximately HK\$1.6 million, HK\$1.9 million and HK\$2.3 million respectively). During the years ended 31 December 2007 and 2008, the GL Water and Power Supply Services under the Original GL Supply Agreement (in respect of the year ended 31 December 2008 only) amounted to approximately RMB352,000 and RMB955,000 respectively (equivalent to approximately HK\$400,000 and HK\$1.1 million respectively) and the transaction amount for the year ended 31 December 2008 was within the annual cap of RMB1.3 million (equivalent to approximately HK\$1.5 million) as disclosed in the announcement of the Company dated 15 October 2008.

The basis of the above annual caps for each of the three years ending 31 December 2011 is determined with reference to (a) the historical amounts of the GL Water and Power Supply Services for the years ended 31 December 2007 and 2008; and (b) the expected increase in the production volume of Guangling for the three years ending 31 December 2011.

The Directors confirm that the aggregate amount of the GL Water and Power Supply Services for the period from 1 January 2009 to the date of this announcement have not exceeded the threshold under Rule 14A.33(3) of the Listing Rules.

Reasons for the New GL Supply Agreement

Guangling is principally engaged in (i) the trading and manufacturing and sale of mould tools and parts, including the pressing moulds and pressing parts for automotive components and other related products; and (ii) the provision of maintenance service on related equipment and facilities. Liuzhou Wuling, being a Substantial Shareholder of the Company, is beneficially interested in 50% of the equity interest of Guangling.

The Wuling Industrial Group, the principal subsidiaries of the Group, is principally engaged in the business of manufacturing and trading of engines, automotive components and specialised vehicles in the PRC as well as the procurement services of raw materials, water and power supply.

With regard to its procurement services, Wuling Industrial provides centralised procurement services to its group companies, customers and suppliers for the supply of raw materials, water and power. This centralised procurement mechanism strengthens the business relationships among the entities and enhances the efficiency and productivity of the entities' operations through the benefits of bulk purchases and scale operations. As a supplier to the Wuling Industrial Group, Guangling also participates in and enjoys the benefits from this centralised procurement mechanism.

The Directors, including the independent non-executive Directors, consider that the GL Water and Power Supply Services under the New GL Supply Agreement will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available to Independent Third Parties. Therefore, the Directors, including the independent non-executive Directors, consider that the terms, including the annual caps, of the GL Water and Power Supply Services are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

Apart from the GL Water and Power Supply Services, the Group, through the Wuling Industrial Group, is also engaged in the sales of raw materials to and purchases of automotive components and related accessories from Guangling for the three years ending 31 December 2010, details of which have been announced by the Company on 2 July 2008 and the Shareholders' approval has been obtained on 7 August 2008. Please refer to the announcement of the Company dated 2 July 2008 for details.

THE NEW KE PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 18 December 2008 in relation to the Original KE Purchase Agreement. The Original KE Purchase Agreement expired on 31 December 2008. On 23 January 2009, Wuling Industrial and KE Digital entered into the New KE Purchase Agreement in relation to the KE Purchase Transactions (being the purchases of certain electronic devices and components by the Wuling Industrial Group from KE Digital) to renew the term of the Original KE Purchase Agreement for three years from 1 January 2009 to 31 December 2011. Pursuant to the New KE Purchase Agreement, the parties thereto have agreed that the maximum aggregate value for the KE Purchase Transactions shall be RMB2.5 million, RMB5 million and RMB7 million respectively (equivalent to approximately HK\$2.8 million, HK\$5.7 million and HK\$7.9 million respectively) for each of the three years ending 31 December 2011.

It was also set out in the New KE Purchase Agreement that Wuling Industrial and KE Digital have agreed that:

- a. each of KE Purchase Transactions under the New KE Purchase Agreement will be conducted (i) in the ordinary and usual course of business of the Wuling Industrial Group; (ii) on an arm's length basis; and (iii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Wuling Industrial Group no less favourable than terms available from Independent Third Parties;

- b. the KE Purchase Transactions under the New KE Purchase Agreement will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the KE Purchase Transactions under the New KE Purchase Agreement, will be set out in the Company's next annual report following the occurrence of the relevant KE Purchase Transactions under the New KE Purchase Agreement; and
- c. KE Digital will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the KE Purchase Transactions under the New KE Purchase Agreement.

Annual Cap

It is proposed that the annual caps in respect of the KE Purchase Transactions under the New KE Purchase Agreement for each of the three years ending 31 December 2011 are RMB2.5 million, RMB5 million and RMB7 million respectively (equivalent to approximately HK\$2.8 million, HK\$5.7 million and HK\$7.9 million respectively). During the years ended 31 December 2007 and 2008, the KE Purchase Transactions under the Original KE Purchase Agreement (in respect of the year ended 31 December 2008 only) amounted to approximately RMB409,000 and RMB1.1 million respectively (equivalent to approximately HK\$464,000 and HK\$1.2 million respectively) and the transaction amount for the year ended 31 December 2008 was within the annual cap of RMB1.8 million (equivalent to approximately HK\$2 million) as disclosed in the announcement of the Company dated 18 December 2008.

The basis of the above annual caps for the three years ending 31 December 2011 is determined with reference to (a) the historical amounts of the KE Purchase Transactions for the years ended 31 December 2007 and 2008; and (b) the expected increase in the production of electric vehicles of the Group that require specific electronic devices and components from KE Digital during the three years ending 31 December 2011. The Group expects that there will be increasing demands on electric vehicles in the market. In order to capture this opportunity, the Group plans to expand its business on the production of electric vehicles in the specialized vehicles division starting from the year 2009. As a result, the types and numbers of the electronic devices and components purchased from KE Digital for these particular products are expected to be increased accordingly. Based on an initial forecast prepared by Wuling Industrial, it is estimated that the total value of KE Purchase Transactions will be increased by 127%, 100% and 40% respectively for the three consecutive years ending 31 December 2009, 2010 and 2011.

The Directors confirm that the aggregate amount of the KE Purchase Transactions for the period from 1 January 2009 to the date of this announcement have not exceeded the threshold under Rule 14A.33(3) of the Listing Rules.

Reasons for the New KE Purchase Agreement

KE Digital is principally engaged in (i) the research, development and the provision of various kinds of services involving the digital technology as well as other computer hardware and software knowhow and technology; (ii) the design and production of various kinds of specialised moulds and equipment; and (iii) the design and production of various kinds of electronic devices and components for motor vehicles. Liuzhou Wuling, being a Substantial Shareholder of the Company, is beneficially interested in approximately 42% of the equity interest of KE Digital.

The Group, including the Wuling Industrial Group, is principally engaged in the business of manufacturing and trading of engines, automotive components and specialised vehicles in the PRC as well as the procurement services of raw materials, water and power supply. As certain products (including the electric vehicles) of the Group require the specific electronic devices and components designed and produced by KE Digital, the Group has to purchase such electronic devices and components from KE Digital.

The Directors, including the independent non-executive Directors, consider that the KE Purchase Transactions under the New KE Purchase Agreement will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available from Independent Third Parties. Therefore, the Directors, including the independent non-executive Directors, consider that the terms, including the annual caps, of the KE Purchase Transactions under the New KE Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions contemplated under each of the New WE Sale Agreement, the New GL Supply Agreement and the New KE Purchase Agreement is, on an annual basis, less than 2.5% under Rule 14A.34 of the Listing Rules, such transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New WE Sale Agreement, the New GL Supply Agreement and the New KE Purchase Agreement are not conditional upon each other.

In the event that any of the respective annual caps applicable to the WE Sale Transactions, the GL Water and Power Supply Services and the KE Purchase Transactions as stated above is exceeded or if the Group enters into any new agreement relating to an continuing connected transactions with any connected persons in the future, the Company must re-comply with Chapter 14A of the Listing Rules dealing with continuing connected transactions.

DEFINITIONS

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

“Board”	the board of the Directors
“Company”	Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GL Water and Power Supply Services”	the provisions of water and power supply services by the Wuling Industrial Group to Guangling which are regarded as continuing connected transactions for the Company under the Listing Rules
“Group”	the Company and its subsidiaries
“Guangling”	柳州廣菱模具技術有限公司 (Liuzhou Guangling Moulds & Tools Technology Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in 50%
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company
“KE Digital”	柳州科爾數字化製造技術有限公司 (Liuzhou Keer Digital Manufacturing Co., Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 42%
“KE Purchase Transactions”	purchases of certain electronic devices and components by the Wuling Industrial Group from KE Digital which are regarded as continuing connected transactions for the Company under the Listing Rules
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Liuzhou 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 and a Substantial Shareholder of the Company which is beneficially interested in approximately 29.93% of the Company

“New GL Supply Agreement”	the agreement dated 23 January 2009 entered into between Wuling Industrial and Guangling in relation to the GL Water and Power Supply Services for a term of three years from 1 January 2009 to 31 December 2011
“New KE Purchase Agreement”	the agreement dated 23 January 2009 entered into between Wuling Industrial and KE Digital in relation to the KE Purchase Transactions for a term of three years from 1 January 2009 to 31 December 2011
“New WE Sale Agreement”	the agreement dated 23 January 2009 entered into between Wuling Industrial and Wuling Export in relation to the WE Sale Transactions for a term of one year from 1 January 2009 to 31 December 2009
“Original GL Supply Agreement”	the agreement dated 15 October 2008 entered into between Wuling Industrial and Guangling in relation to the GL Water and Power Supply Services for a term of one year from 1 January 2008 to 31 December 2008
“Original KE Purchase Agreement”	the agreement dated 18 December 2008 entered into between Wuling Industrial and KE Digital in relation to the KE Purchase Transactions for a term of one year from 1 January 2008 to 31 December 2008
“Original WE Sale Agreement”	the agreement dated 15 October 2008 entered into between Wuling Industrial and Wuling Export in relation to the WE Sale Transactions for a term of one year from 1 January 2008 to 31 December 2008
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“WE Sale Transactions”	the sales of cars, engines and parts by the Wuling Industrial Group to Wuling Export for export purpose which are regarded as continuing connected transactions for the Company under the Listing Rules

“Wuling Export”	柳州五菱進出口有限公司 (Liuzhou Wuling Import and Export Company Limited*), a company established in the PRC and a wholly-owned subsidiary of Liuzhou Wuling
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

Translations of RMB into Hong Kong dollars are, based on the exchange rate of HK\$1 to RMB0.8811, for information purpose only. Such translations should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

By order of the Board
Lee Shing
Chairman and Chief Executive Officer

Hong Kong, 23 January 2009

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 Wang Shaohua, Mr Pei Qingrong and Mr Zhou Sheji as executive Directors, and Mr Yu Xiumin, Mr Zuo Duofu, Mr Cheng Kin Wah, Thomas and Mr Ye Xiang as independent non-executive Directors.

** For identification purpose only*