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Dragon Hill Wuling Automobile Holdings Limited
(俊山五菱汽車集團有限公司*)

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

EXECUTION OF MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ISSUE OF CONVERTIBLE NOTES

EXECUTION OF MOU

The Board is pleased to announce that on 3 July 2009, the Company and Wuling HK entered into the MOU setting out the parties' intention in relation to the possible subscription by Wuling HK of the Convertible Notes to be issued by the Company.

Subject to further negotiation by the parties, the final terms of the Convertible Notes shall be stipulated in the Subscription Agreement to be entered into between the Company and Wuling HK. At present, the parties intend that the Convertible Notes shall be in the aggregate principal amount of not more than HK\$135,000,000 with the initial Conversion Price of HK\$0.738 per Conversion Share.

Based on the maximum aggregate principal amount of the Convertible Notes of HK\$135,000,000 and the initial Conversion price of HK\$0.738 per Conversion Share, a total of 182,926,820 Conversion Shares shall be issued upon exercise in full of the conversion rights attaching to the Convertible Notes. Such 182,926,820 Conversion Shares shall represent approximately 19.94% of the issued share capital of the Company as at the date of this announcement and approximately 16.63% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares.

POSSIBLE CONNECTED TRANSACTION

As at the date of this announcement, Wuling HK is beneficially interested in approximately 29.93% of the issued share capital of the Company and is a substantial Shareholder. Accordingly, the possible subscription of the Convertible Notes under the Subscription Agreement, if executed, shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, which shall require approval of the Independent Shareholders voting by way of poll at a general meeting of the Company. Further announcement will be made by the Company in compliance with the Listing Rules upon execution of the Subscription Agreement, if any.

As the proposed issue of the Convertible Notes is subject to the satisfaction of a number of conditions precedent, including but not limited to the execution of the Subscription Agreement, which may or may not be fulfilled, the transactions under the MOU may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

EXECUTION OF MOU

The Board is pleased to announce that on 3 July 2009, the Company and Wuling HK entered into the MOU setting out the parties' intention in relation to the possible subscription by Wuling HK of the Convertible Notes to be issued by the Company.

Subject to further negotiations by the parties, the final terms of the Convertible Notes shall be stipulated in the Subscription Agreement, if executed. Some of the intended principal terms of the Convertible Notes set out in the MOU are summarised below:

Aggregate principal amount	Not more than HK\$135,000,000.
Maturity Date	The date falling on the third anniversary of the Issue Date, on which all outstanding principal amount, together with all outstanding accrued interests, shall become due and payable by the Company to the holder(s) of the Convertible Notes.
Conversion rights	At any time during the Conversion Period (details of which are set out below), holder(s) of the Convertible Notes shall have the right to convert the principal amount of the Convertible Notes into Conversion Shares at the then prevailing Conversion Price.
Issue price	100% of the aggregate principal amount of the Convertible Notes.
Redemption price at maturity	100% of the outstanding principal amount of the Convertible Notes on the Maturity Date.
Early redemption	Save for the occurrence of any event of default as set out in the Subscription Agreement, holder(s) of the Convertible Notes shall not be entitled to demand for early repayment of the Convertible Notes. In addition, the Company shall have no right to demand for early redemption of the Convertible Notes.
Interest	The Convertible Notes shall bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 4% per annum. In the event that the Company shall be in arrears of any payment under the Convertible Notes, a default interest at the rate of 10% per annum shall be payable by the Company.

Conversion Period

The Convertible Notes will be convertible during the period commencing from 180 days after the Issue Date up to and including the fifth business day prior to the Maturity Date.

Conversion Price

The initial Conversion Price is intended to be HK\$0.738 per Conversion Share, subject to such usual adjustments as may be made in the event of, including but not limited to share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issue of Shares or securities carrying rights to convert into or subscribe for Shares. The initial Conversion Price represents:

- (i) a discount of approximately 37.46% to the closing price of HK\$1.18 per Share on 2 July 2009, being the last trading day before the date of the MOU;
- (ii) a discount of approximately 24.85% to the average closing price per Share of approximately HK\$0.982 for the last five consecutive trading days up to and including 2 July 2009;
- (iii) a discount of approximately 20.22% to the average closing price per Share of approximately HK\$0.925 for the last 10 consecutive trading days up to and including 2 July 2009;
- (iv) a discount of approximately 11.30% to the average closing price per Share of approximately HK\$0.832 for the last 30 consecutive trading days up to and including 2 July 2009; and
- (v) a premium of approximately 1.75% over the average closing price per Share of approximately HK\$0.725 for the last 60 consecutive trading days up to and including 2 July 2009.

Based on the maximum aggregate principal amount of the Convertible Notes of HK\$135,000,000 and the initial Conversion Price of HK\$0.738 per Conversion Share, a total of 182,926,820 Conversion Shares shall be issued upon the exercise in full of the conversion rights attaching to the Convertible Notes. Such 182,926,820 Conversion Shares shall represent approximately 19.94% of the issued share capital of the Company as at the date of this announcement and approximately 16.63% of the issued share capital of the Company as enlarged by the allotment and issue of Conversion Shares.

Conversion restrictions

- (a) No conversion of the Convertible Notes shall be allowed in the event that such conversion would render the percentage of the total number of Shares held by the public falling below the percentage as prescribed by the Listing Rules from time to time.
- (b) A holder of the Convertible Notes shall undertake that any exercise of the conversion rights attaching to the Convertible Notes shall be made in compliance with respective applicable rules under the Takeovers Code and the Listing Rules if it would result in the shareholding of the holder of the Convertible Notes, together with parties acting in concert (has the meaning ascribed thereto under the Takeovers Code) with it, in the Company being 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more.

**Ranking of the
Conversion Shares**

The Conversion Shares, when allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes, shall rank pari passu in all respects with all other then issued Shares at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.

Transferability

No assignment or transfer (whether in whole or in part(s)) of the Convertible Notes may be made unless:

- (a) it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the holder(s) of the Convertible Notes; or
- (b) it is made to independent third party(ies) who is(are) not connected person(s) of the Group.

Voting

A holder of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being a holder of the Convertible Notes.

CONDITIONS PRECEDENT

Completion of the issue of the Convertible Notes is conditional upon, among other things, the following:

- (a) the Subscription Agreement having been entered into by the Company and Wuling HK;
- (b) all consent and approval in connection with of the issue of the Convertible Notes having been granted by the Board, the Independent Shareholders, all relevant regulatory authorities and any other third parties (where applicable) having been obtained; and
- (c) all necessary approvals in connection with the execution and performance of the Subscription Agreement by Wuling HK having been obtained.

Upon execution of the Subscription Agreement, if any, an application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The proposed issue of the Convertible Notes would be subject to the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Conversion Shares.

POSSIBLE CONNECTED TRANSACTION

As at the date of this announcement, Wuling HK is beneficially interested in approximately 29.93% of the issued share capital of the Company and is a substantial Shareholder. Accordingly, the possible subscription of the Convertible Notes under the Subscription Agreement, if executed, shall constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, which shall require approval of the Independent Shareholders voting by way of poll at a general meeting of the Company. Wuling HK and its associates will abstain from voting at such meeting. Further announcement will be made by the Company in compliance with the Listing Rules upon execution of the Subscription Agreement, if any.

As the proposed issue of the Convertible Notes is subject to the satisfaction of a number of conditions precedent, including the execution of the Subscription Agreement, which may or may not be fulfilled, the transactions under the MOU may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions have the following meaning:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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*) (stock code: 305), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in Rule 1.01 of the Listing Rules and as extended by Chapter 14A of the Listing Rules
“Conversion Period”	the intended period during which the holder(s) of the Convertible Notes may exercise the conversion rights attaching to the Convertible Notes to convert into the Conversion Shares at the Conversion Price
“Conversion Price”	the conversion price for the exercise of the conversion rights attaching to the Convertible Notes, which is intended to be initially set at HK\$0.738 per Conversion Share and subject to adjustments
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes upon completion of the Subscription
“Convertible Notes”	the convertible notes in an intended aggregate principal amount of not more than HK\$135,000,000 to be issued by the Company to Wuling HK pursuant to the Subscription Agreement, if executed
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Shareholders”	Shareholders other than (i) Wuling HK and its associates; and (ii) persons who are prohibited to vote in respect of the Subscription Agreement, if executed, together with the transactions contemplated thereunder under the Listing Rules
“Issue Date”	the date of issue of the Convertible Notes
“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
“Maturity Date”	the maturity date of the Convertible Notes, intended to be the date falling on the third anniversary of the Issue Date
“MOU”	the memorandum of understanding entered into by the Company and Wuling HK setting out the parties’ intention in relation to the possible subscription by Wuling HK of the Convertible Notes to be issued by the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Subscription”	possible subscription of the Convertible Notes by Wuling HK pursuant to the Subscription Agreement, if executed
“Subscription Agreement”	the subscription agreement intended to be entered into between the Company and Wuling HK in relation to the Subscription
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Wuling HK”

Wuling (Hong Kong) Holdings Limited (五菱(香港)控股有限公司), a company incorporated in Hong Kong with limited liability and a substantial Shareholder which is beneficially interested in approximately 29.93% of the issued share capital of the Company as at the date of this announcement. It is an indirect wholly-owned subsidiary of Liuzhou Wuling

“%”

per cent.

By order of the Board

Lee Shing

Chairman and Chief Executive Officer

Hong Kong, 3 July 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, and Mr. Ye Xiang as independent non-executive Directors.

* *For identification purpose only*