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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
THE TRADEMARK AGREEMENT, THE PATENT AGREEMENT AND
THE WE SALE AGREEMENT**

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circular of the Company dated 25 June 2007 in relation to, among others, the Trademark Agreement and the Patent Agreement. Reference is also made to the announcement of the Company dated 23 January 2009 regarding, among others, the WE Sale Agreement.

All of the Trademark Agreement, the Patent Agreement and the WE Sale Agreement will be expired on 31 December 2009.

As the transactions contemplated under each of the Trademark Agreement, the Patent Agreement and the WE Sale Agreement are expected to continue after the expiration of their respective terms, the Group, on 21 December 2009, entered into (i) the Renewed Trademark Agreement; (ii) the Renewed Patent Agreement respectively for a term of three years from 1 January 2010 to 31 December 2012 with Liuzhou Wuling; and (iii) the Renewed WE Sale Agreement for a term of one year from 1 January 2010 to 31 December 2010 with Wuling Export.

LISTING RULES IMPLICATIONS

The Renewed Trademark Agreement and the Renewed Patent Agreement are of similar nature and are aggregated when calculating the applicable percentage ratios (as defined in the Listing Rules). As each of the applicable percentage ratios for the Renewed Trademark Agreement and the Renewed Patent Agreement is, on an aggregation and annual basis, less than 2.5%, under Rule 14A.34 of the Listing Rules, the Renewed Trademark Agreement and the Renewed Patent Agreement and the transactions contemplated thereunder are only 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.

As each of the applicable percentages ratios (as defined in the Listing Rules) for the Renewed WE Sale Agreement is, on an annual basis, less than 2.5%, under Rule 14A.34 of the Listing Rules, the Renewed WE Sale Agreement and the WE Sale Transactions are only 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.

Reference is made to the circular of the Company dated 25 June 2007 in relation to, among others, the Trademark Agreement and the Patent Agreement. Reference is also made to the announcement of the Company dated 23 January 2009 regarding, among others, the WE Sale Agreement.

All of the Trademark Agreement, the Patent Agreement and the WE Sale Agreement will be expired on 31 December 2009.

As the transactions contemplated under each of the Trademark Agreement, the Patent Agreement and the WE Sale Agreement are expected to continue after the expiration of their respective terms, the Group, on 21 December 2009, entered into (i) the Renewed Trademark Agreement; (ii) the Renewed Patent Agreement respectively for a term of three years from 1 January 2010 to 31 December 2012 with Liuzhou Wuling; and (iii) the Renewed WE Sale Agreement for a term of one year from 1 January 2010 to 31 December 2010 with Wuling Export.

THE RENEWED TRADEMARK AGREEMENT

Date : 21 December 2009

Licensor : Liuzhou Wuling

Licensee : Wuling Industrial

Subject of the licence

Pursuant to the Renewed Trademark Agreement, Liuzhou Wuling will grant a non-exclusive licence to Wuling Industrial in respect of the use by the Wuling Industrial Group of the following Trademarks, including the use of the Trademarks on their products and the use of the words “五菱” in the respective company names of the companies within the Wuling Industrial Group:



The term of the licence shall be for a period of three years from 1 January 2010 to 31 December 2012 (both dates inclusive).

Licence fee

A licence fee of RMB2,000,000 per annum shall be payable in arrears at the end of each December during the term of the licence and will be calculated in proportion to the number of months of use of the Trademarks by the Wuling Industrial Group if the Trademarks are not used by them for a full year under the Renewed Trademark Agreement.

As there is no sufficient comparable transaction available and it is commercially impracticable and inefficient to determine the commercial value of each Trademark underlying the Renewed Trademark Agreement, in renewing the Trademark Agreement, the management of the Company considered that there is no significant change in the utilization of the Trademarks in the operation of the Group, which is primarily required for the production and sales of specialized vehicles, the licence fee payable pursuant to the Renewed Trademark Agreement was determined by the parties upon arm's length negotiations with reference to the current licence fee payable under the Trademark Agreement as shown in the paragraph headed "Historical amounts in respect of the Trademark Agreement" below.

The current licence fee of RMB2,000,000 payable under the Trademark Agreement was determined in 2007 by the parties upon arm's length negotiations with reference to the audited consolidated net profits of the Wuling Industrial Group for the year ended 31 December 2006 and represented approximately 0.75% of the audited profit attributable to equity holders of Wuling Industrial for the year ended 31 December 2006.

Historical amounts in respect of the Trademark Agreement

During the years ended 31 December 2007 and 2008 and eleven months ended 30 November 2009, the licence fee paid by Wuling Industrial pursuant to the Trademark Agreement was approximately RMB667,000, RMB2,000,000 and RMB1,833,000 respectively (equivalent to approximately HK\$763,000, HK\$2,289,000 and HK\$2,098,000 respectively) and were within the annual cap of RMB1,200,000 (equivalent to approximately HK\$1,373,000) on the basis of commencement of the licence from 1 June 2007 to 31 December 2007, and RMB2,000,000 (equivalent to approximately HK\$2,289,000) for the years ended 31 December 2008 and 31 December 2009 as disclosed in the circular of the Company dated 25 June 2007.

Annual cap for the licence fee payable by Wuling Industrial under the Renewed Trademark Agreement

It is proposed that the annual cap for the licence fee payable by Wuling Industrial pursuant to the Renewed Trademark Agreement for each of the three years ending 31 December 2012 shall be RMB2,000,000 (equivalent to approximately HK\$2,289,000 million).

The above annual cap is determined based on the historical amounts paid for the use of the trademarks.

THE RENEWED PATENT AGREEMENT

Date : 21 December 2009

Licensor : Liuzhou Wuling

Licensee : Wuling Industrial

Subject of the licence

Pursuant to the Renewed Patent Agreement, Liuzhou Wuling will grant a non-exclusive licence to Wuling Industrial in respect of the use by the Wuling Industrial Group of the Patents (being an aggregate of 167 types of patent rights and know-how of Liuzhou Wuling in relation to the manufacturing of engines, automotive components and specialized vehicles, and other related business).

The term of the licence shall be for a period of three years from 1 January 2010 to 31 December 2012 (both dates inclusive).

Licence fee

A licence fee of RMB1,300,000 per annum shall be payable in arrears at the end of each December during the term of the licence and will be calculated in proportion to the number of months of use of the Patents by the Wuling Industrial Group if the Patents are not used by them for a full year under the Renewed Patent Agreement.

As there is no sufficient comparable transaction available and it is commercially impracticable and inefficient to determine the commercial value of each Patent underlying the Renewed Patent Agreement, in renewing the Patent Agreement, the management of the Company considered that except for the replacement of certain expired items, there is no significant change in the application of the Patents in the operation of the Group, which are continuously used for the production of its engines, automotive components and specialized vehicles products of the Group, the licence fee payable pursuant to the Renewed Patent Agreement were determined by the parties upon arm's length negotiations with reference to the current licence fee payable under the Patent Agreement as shown in the paragraph headed "Historical amounts in respect of the Patent Agreement" below.

The current licence fee of RMB1,300,000 payable under the Patent Agreement was determined in 2007 by the parties upon arm's length negotiations with reference to the audited consolidated net profits of the Wuling Industrial Group for the year ended 31 December 2006 and represented approximately 0.49% of the audited profit attributable to equity holders of Wuling Industrial for the year ended 31 December 2006.

Historical amounts in respect of the Patent Agreement

During the years ended 31 December 2007 and 2008 and eleven months ended 30 November 2009, the aggregate amount of the licence fee paid by Wuling Industrial pursuant to the Patent Agreement was approximately RMB433,000, RMB1,300,000 and RMB1,192,000 respectively (equivalent to approximately HK\$496,000, HK\$1,488,000 and HK\$1,364,000 respectively) and were within the annual cap of RMB800,000 (equivalent to approximately HK\$916,000) on the basis of commencement of the licence from 1 June 2007 to 31 December 2007, and RMB1,300,000 (equivalent to approximately HK\$1,488,000) for the years ended 31 December 2008 and 31 December 2009 as disclosed in the circular of the Company dated 25 June 2007.

Annual cap for the licence fee payable by Wuling Industrial under the Renewed Patent Agreement

It is proposed that the annual cap for the licence fee payable by Wuling Industrial pursuant to the Renewed Patent Agreement for each of the three years ending 31 December 2012 shall be RMB1,300,000 (equivalent to approximately HK\$1,488,000 million).

The above annual cap is determined based on the historical amounts paid for the use of the patents and know-hows.

THE RENEWED WE SALE AGREEMENT

Date : 21 December 2009

Parties : Wuling Industrial; and
Wuling Export.

WE Sale Transactions : Sales of cars, engines and parts by the Wuling industrial Group to Wuling Export for export purpose

Terms of the Renewed WE Sale Agreement

The term of the Renewed WE Sale Agreement shall be for a period of one year from 1 January 2010 to 31 December 2010 (both dates inclusive).

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

- a. each of the WE Sale Transactions 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 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, will be set out in the Company's next annual report following the occurrence of the relevant WE Sale Transactions; and
- c. Wuling Export will provide its relevant records to the auditors of the Company and Wuling Industrial during their course of review of the WE Sale Transactions.

Historical amounts in respect of the WE Sale Transactions

During the year ended 31 December 2008 (being the first year for Wuling Industrial commencing this particular business activity) and eleven months ended 30 November 2009, the aggregate amount of the WE Sale Transactions were approximately RMB7,500,000 and RMB5,988,000 respectively (equivalent to approximately HK\$8,584,000 and HK\$6,853,000 respectively) and were within the annual cap of RMB10,000,000 (equivalent to approximately HK\$11,445,000) for the year ended 31 December 2008 as disclosed in the announcement of the Company dated 15 October 2008 and the annual cap of RMB8,500,000 (equivalent to approximately HK\$9,728,000) for the year ended 31 December 2009 as disclosed in the announcement of the Company dated 23 January 2009 respectively.

Annual cap for the WE Sale Transactions

It is proposed that the annual cap in respect of the WE Sale Transactions for the year ending 31 December 2010 is RMB10,000,000 (equivalent to approximately HK\$11,445,000).

The basis of the above annual cap for the year ending 31 December 2010 is determined with reference to (a) the historical amount of the WE Sale Transactions during the eleven months ended 30 November 2009; (b) the expected development of the overseas business of the Wuling Industrial Group for the year ending 31 December 2010; and (c) the expected increase in the price of raw materials.

After Wuling Export's efforts on exploring the overseas markets, the Directors believed that the awareness and overseas demands for the products of Wuling Industrial Group will increase, therefore the estimated sales of modified vehicles, which include electrical cars, as demanded by overseas markets is also expected to increase for the year ending 31 December 2010.

Besides, due to the keen competition in the PRC automobile market and the increasing demands for steel, auto-engines, parts and components (the "Auto-Parts") among the PRC car manufacturers to maintain their production at high level, the Auto-Parts are in short of supply and are expected to inflate in price in the year ending 31 December 2010 which will increase the sale price of products of the Wuling Industrial Group to be sold to Wuling Export pursuant to the WE Sale Agreement.

INFORMATION OF THE GROUP

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

INFORMATION OF LIUZHOU WULING AND WULING EXPORT

Liuzhou Wuling is a wholly stated-owned limited liability company established in the PRC with the State-owned Assets Supervisions 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 its registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Liuzhou Wuling and its subsidiaries are principally engaged in the manufacturing business relating to motor vehicle engines, parts, special mini-vehicles and the provision of other related services.

Liuzhou Wuling is also the Substantial Shareholder which is beneficially interested in approximately 29.93% of the Company, and therefore is a connected person of the Company.

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

REASONS FOR THE RENEWED TRADEMARK AGREEMENT, THE RENEWED PATENT AGREEMENT AND THE RENEWED WE SALE AGREEMENT

At present, Wuling Industrial has employed or is going to employ the Trademarks and the technologies under the Patents for its business and operation. The Trademarks and Patents are important for the Wuling Industrial Group in carrying out its business, being the manufacturing of engines, automotive components and specialized vehicles, and other related business. In order to ensure that the business and operation of the Wuling Industrial Group will not be affected, and evolve with market needs, Wuling Industrial and Lizhou Wuling propose to enter into the Renewed Trademark Agreement and the Renewed Patent Agreement to renew the terms of the Trademark Agreement and the Patent Agreement, together with the underlying trademarks, patent rights and know-hows respectively for three years from 1 January 2010 to 31 December 2012.

In order to promote its products to overseas market, the Group would like to continue to engage Wuling Export as an export agent to develop its overseas markets and promote its products overseas, including sale of its cars, engines and parts and handling the customs administration works and application processes, and therefore entered into the Renewed WE Sale Agreement with Wuling Export for one year from 1 January 2010 to 31 December 2010.

The Directors, including the independent non-executive Directors, consider that transactions contemplated under the Renewed Trademark Agreement and the Renewed Patent Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and the terms of each of the Renewed Trademark Agreement and the Renewed Patent Agreement (including the annual caps for the transactions contemplated under each of these agreements) are fair and reasonable.

The Directors, including the independent non-executive Directors, also consider that the WE Sale Transactions under the Renewed 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 Renewed 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 Renewed 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.

LISTING RULES IMPLICATIONS

The Renewed Trademark Agreement and the Renewed Patent Agreement are of similar nature and are aggregated when calculating the applicable percentage ratios (as defined in the Listing Rules). As each of the applicable percentage ratios for the Renewed Trademark Agreement and the Renewed Patent Agreement is, on an aggregation and annual basis, less than 2.5%, under Rule 14A.34 of the Listing Rules, the Renewed Trademark Agreement and the Renewed Patent Agreement and the transactions contemplated thereunder are only 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.

As each of the applicable percentages ratios (as defined in the Listing Rules) for the Renewed WE Sale Agreement is, on an annual basis, less than 2.5%, under Rule 14A.34 of the Listing Rules, the Renewed WE Sale Agreement and the WE Sale Transactions are only 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 Renewed Trademark Agreement, the Renewed Patent Agreement and the Renewed WE Sale Agreement are not conditional upon each other.

In the event that any of the respective annual caps applicable to the transactions contemplated under each of the Renewed Trademark Agreement, the Renewed Patent Agreement and the Renewed WE Sale Agreement as stated above is exceeded or if the Group enters into any new agreement relating to any continuing connected transaction with any connected person 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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company
“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 liability enterprise established in the PRC and the Substantial Shareholder which is beneficially interested in approximately 29.93% of the Company
“Patent Agreement”	the agreement dated 28 August 2007 entered into between Wuling Industrial and Liuzhou Wuling in relation to the grant of a license by Liuzhou Wuling to Wuling Industrial to use 158 types of patent rights and know-hows for a term of three years ending 31 December 2009
“Patents”	a total of 167 types of patent rights and know-how of Liuzhou Wuling in relation to the manufacturing of engines, automotive components and specialized vehicles, and other related business which will be licensed to Wuling Industrial in respect of the use of such patent rights and know-how by the Wuling Industrial Group

“PRC”	The People’s Republic of China
“Renewed Patent Agreement”	the agreement dated 21 December 2009 entered into between Wuling Industrial and Liuzhou Wuling in relation to the grant of a license by Liuzhou Wuling to Wuling Industrial to use the Patents for a term of three years ending 31 December 2012
“Renewed Trademark Agreement”	the agreement dated 21 December 2009 entered into between Wuling Industrial and Liuzhou Wuling in relation to the grant of a license by Liuzhou Wuling to Wuling Industrial to use the Trademarks for a term of three years ending 31 December 2012
“Renewed WE Sale Agreement”	the agreement dated 21 December 2009 entered into between Wuling Industrial and Wuling Export in relation to the WE Sale Transactions for a term of one year ending 31 December 2010
“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
“Trademark Agreement”	the agreement dated 28 August 2007 entered into between Wuling Industrial and Liuzhou Wuling in relation to the grant of a licence by Liuzhou Wuling to Wuling Industrial to use 4 trademarks for a term of three years ending 31 December 2009
“Trademarks”	2 registered trademarks of Liuzhou Wuling to be licenced to Wuling Industrial in respect of the use of such trademarks by the Wuling Industrial Group
“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 ending 31 December 2009
“WE Sale Transactions”	the sales of cars, engines and parts by the Wuling industrial Group to Wuling Export for export purpose

“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\$1.1445 to RMB1, 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.

On behalf of the Board
Lee Shing
Chairman and Chief Executive Officer

Hong Kong, 21 December 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. Pei Qingrong, Mr. Wang Shaohua, 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*