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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)

(1) PLACING OF NEW SHARES; AND
(2) CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION FOR
NEW SHARES BY A SUBSTANTIAL SHAREHOLDER

THE PLACING AGREEMENTS

The Board is pleased to announce that after trading hours on 21 January 2010, the Company and the Placing Agents entered into the Placing Agreements pursuant to which the Placing Agents have conditionally agreed to act as agents for the Company, to place, on a best effort basis, up to a total of 220,000,000 new Shares, representing (i) approximately 23.98% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 17.85% of the issued share capital of the Company as enlarged by the maximum number of the Placing Shares and the Subscription Shares, being 220,000,000 Shares and 95,100,000 Shares respectively. The Placing Shares will be placed by the Placing Agents to not less than six Placees, who and whose ultimate beneficial owners are Independent Third Parties.

Completion of the Placing Agreements is subject to the satisfaction of the Placing Conditions as set out in the paragraph headed "The Placing Conditions" under the section headed "1. The Placing Agreements" below.

The Placing Shares will be issued under a special mandate to be approved by the Independent Shareholders at the SGM. The Placing Shares, when allotted and issued, shall be free and clear from all encumbrances and with all rights attaching thereto as at the Placing Completion Date, including the right to receive all dividends and other distributions which may be declared, made or paid where the relevant record date shall fall on or after the Placing Completion Date.

THE SUBSCRIPTION AGREEMENT

The Board is also pleased to announce that after trading hours on 21 January 2010, the Company and Wuling HK, a substantial Shareholder, entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price. The Final Number of the Subscription Shares to be subscribed by Wuling HK shall be determined pursuant to the mechanism set out in the paragraph headed "Number of Subscription Shares" under the section headed "2. The Subscription Agreement" below. On assumption that the maximum number of 220,000,000 Placing Shares will be allotted and issued under the Placing, a maximum of 95,100,000 Subscription Shares will be subscribed by Wuling HK, representing approximately 10.37% of the issued share capital of the Company as at the date of this announcement and approximately 7.72% of the issued share capital of the Company as enlarged by the respective maximum numbers of the Placing Shares and the Subscription Shares that might be issued upon completion of the Placing and the Subscription. The Final Number of Subscription Shares to be subscribed by, and allotted and issued to, Wuling HK, together with the number of the Shares held by Wuling HK before completion of the Subscription Agreement, shall represent approximately 29.99% of the issued share capital of the Company as enlarged immediately after the contemporaneous completion of both of the Placing and the Subscription.

Completion of the Subscription Agreement is subject to the satisfaction of the Subscription Conditions as set out in the paragraph headed "The Subscription Conditions" under the section headed "2. The Subscription Agreement" below.

The Subscription Shares will be issued under a special mandate to be approved by the Independent Shareholders at the SGM. The Subscription Shares, when allotted and issued, shall be free from all encumbrances together with all rights attaching thereto as at the Subscription Completion Date including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Shares, the record date for which shall fall on or after the Subscription Completion Date.

The Subscription Agreement and the Placing Agreements are inter-conditional and shall be completed contemporaneously.

GENERAL

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 therefore is a substantial Shareholder. Accordingly, the entering into of the Subscription Agreement by Wuling HK, together with the transactions contemplated thereunder, constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Wuling HK and its associates shall abstain from voting at the SGM in respect of the resolution(s) in relation to the Subscription Agreement. Completion of the Subscription Agreement is subject to, among other things, the approval of Independent Shareholders at the SGM with vote to be taken by way of poll.

In addition, as the Placing and the Subscription are inter-conditional, the interest of Wuling HK in the Placing will be different from that of other Shareholders. As such, Wuling HK and its associates shall also abstain from voting at the SGM in respect of the resolution(s) relating to the Placing Agreement.

The Board will appoint an independent financial adviser to the Independent Board Committee and the Independent Shareholders to give advice in relation to the terms and conditions of the Subscription Agreement and the Placing Agreements, together with the respective transactions contemplated thereunder.

A circular of the Company containing, among other things, (i) details of the Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the independent financial adviser; and (iv) a notice convening the SGM will be despatched to the Shareholders as soon as possible.

Completion of the Placing and the Subscription are subject to the satisfaction of the Placing Conditions and the Subscription Conditions respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

1. THE PLACING AGREEMENTS

The Company entered into a Placing Agreement with each Placing Agent. Particulars of the two Placing Agreements are set out as follows:

Date: 21 January 2010 (after trading hours).

Issuer: The Company.

Placing Agents: (i) SBI-E2 Capital Securities Limited; and
(ii) Celestial Securities Limited.

Each of the Placing Agents has conditionally and separately agreed, on a best effort basis and as agent for the Company, to procure Placees to subscribe for the Placing Shares, amounting up to a total of 220,000,000 new Shares under the two Placing Agreements, at the Placing Price. Each Placing Agent will receive a placing commission of 2.5% on the gross proceeds of the Final Number of Placing Shares successfully placed by it. The placing commission rate was arrived at after arm's length negotiations between the Company and the Placing Agents under normal commercial terms and with reference to the prevailing market rate. To the best of the information, knowledge and belief of the Directors and having made all reasonable enquiries, each Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares will be placed by the Placing Agents to not less than six Placees, who and whose ultimate beneficial owners are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder.

Number of Placing Shares

A maximum of 220,000,000 new Shares in total will be placed by the Placing Agents, each on a best effort basis, to the Placees, representing (i) approximately 23.98% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 17.85% of the issued share capital of the Company as enlarged by the respective maximum numbers of the Placing Shares and the Subscription Shares, being 220,000,000 Shares and 95,100,000 Shares respectively.

Each Placing Agent will notify the Company, amongst other things, the Final Number of Placing Shares procured by it and to be issued by the Company, in accordance with the terms and conditions of the Placing Agreement entered into by such Placing Agent and the Company. The Company will make an announcement in relation to the total Final Number of Placing Shares placed by the Placing Agents and the Final Number of Subscription Shares accordingly.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, shall be free and clear from all encumbrances and with all rights attaching thereto as at the Placing Completion Date, including the right to receive all dividends and other distributions which may be declared, made or paid where the relevant record date shall fall on or after the Placing Completion Date.

Placing Price

The Placing Price of HK\$0.85 per Placing Share represents:

- (i) a discount of approximately 23.42% to the closing price of HK\$1.11 per Share on 20 January 2010, being the last trading day before the date of the Placing Agreement;
- (ii) a discount of approximately 23.42% to the average of the closing prices of the Shares in each of the last five and ten consecutive trading day-period up to and including the 20 January 2010, both being approximately HK\$1.11 per Share; and
- (iii) a discount of approximately 24.78% to the average of the closing prices of the Shares in the last thirty consecutive trading days up to and including 20 January 2010, being approximately HK\$1.13 per Share;

- (iv) a discount of approximately 17.48% to the average of the closing prices of the Shares in the last ninety consecutive trading days up to and including 20 January 2010, being approximately HK\$1.03 per Share; and
- (v) a premium of approximately 545.41% over the unaudited net asset value of approximately RMB0.115 per Share (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009 (based on the unaudited equity attributable to owners of the Company of approximately RMB105,114,000 as set out in the Company's interim report for the six months ended 30 June 2009 and a total of 917,288,049 Shares in issue as at 30 June 2009).

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agents with references to (i) the market prices of the Shares during the 90-trading day period up to and including 20 January 2010; (ii) the unaudited net asset value per Share of RMB0.115 (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009; and (iii) the size of the funds requested to be raised by the Company under the Placing and the Subscription. The Directors consider that the terms of the Placing Agreements, including the Placing Price and the commission payable to the Placing Agents, are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Conditions

Completion of each of the Placing Agreements (i) entered into between the Company and SBI-E2 Capital Securities Limited (the "SBI Placing Agreement") and (ii) entered into between the Company and Celestial Securities Limited (the "Celestial Placing Agreement") is conditional on the Placing Conditions as follows:

- (a) the passing by the Shareholders who are permitted to vote under the Listing Rules of a resolution to approve the Placing Agreements and the transactions contemplated thereunder at the SGM;
- (b) the Listing Committee of the Stock Exchange granting to the Company the listing of, and permission to deal in, the Placing Shares under the Placing Agreements (either unconditionally or subject to conditions which are acceptable to the Company and the Placing Agents);
- (c) the SBI Placing Agreement having become unconditional in accordance with the terms thereof (other than the conditions that each of the Subscription Agreement and the Celestial Placing Agreement has become unconditional);
- (d) the Celestial Placing Agreement having become unconditional in accordance with the terms thereof (other than the conditions that each of the Subscription Agreement and the SBI Placing Agreement has become unconditional);

- (e) the Subscription Agreement having become unconditional in accordance with the terms thereof (other than the condition that each of the Placing Agreements has become unconditional); and
- (f) the obtaining by the Company of all other necessary consents, approvals, authorisations and/or waiver to effect the execution, completion and performance of the obligations and other terms of the Placing Agreements (including but not limited to the allotment and issue of the Placing Shares), if applicable.

None of the Placing Conditions can be waived. If (i) the Placing Conditions to a Placing Agreement are not fulfilled in full on or before 31 March 2010 (or such later date as may be agreed between the relevant Placing Agent and the Company in writing), or (ii) the relevant Placing Agent shall not have given its notification to the Company in relation to, among other things, the Final Number of Placing Share to be subscribed by the Placees procured by it in accordance with the terms and conditions of the Placing Agreement entered into by such Placing Agent and the Company, such Placing Agreement shall thereupon cease and determine and none of the parties thereto shall have any claim against any other in respect of the Placing.

Completion of the Placing

The Placing Agreements and the Subscription Agreement are inter-conditional. Completion of the Placing shall take place contemporaneously with the completion of the Subscription on the Placing Completion Date (or such other date to be agreed in writing amongst the Company and the Placing Agents). Upon completion of the Placing, the Final Number of Placing Shares shall be allotted and issued by the Company to the Placees successfully procured by the Placing Agents at the Placing Price.

Completion of the Placing is subject to the full satisfaction of the Placing Conditions, in particular, Independent Shareholders' approval and the simultaneous completion of the Subscription. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

2. THE SUBSCRIPTION AGREEMENT

Date: 21 January 2010 (after trading hours).

Issuer: The Company.

Subscriber: Wuling HK, 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.

Number of Subscription Shares

Pursuant to the Subscription Agreement, the Final Number of Subscription Shares to be subscribed by Wuling HK shall be determined as follows:

$$\frac{A+B}{A+C} = 29.99\%$$

A = the Final Number of Subscription Shares to be subscribed by Wuling HK pursuant to the Subscription Agreement;

B = the total number of Shares held by Wuling HK immediately before completion of the Subscription Agreement; and

C = the total number of Shares in issue as enlarged by the Final Number of Placing Shares to be allotted and issued under the Placing (without taking into account of the number of the Subscription Shares to be allotted and issued under the Subscription Agreement).

On the assumption that the maximum number of 220,000,000 Placing Shares will be allotted and issued under the Placing, a maximum of 95,100,000 Subscription Shares (amounting to the aggregate nominal value of HK\$380,400) will be subscribed by Wuling HK, representing approximately 10.37% of the issued share capital of the Company as at the date of this announcement and approximately 7.72% of the issued share capital of the Company as enlarged by the respective maximum numbers of the Placing Shares and the Subscription Shares that might be issued upon completion of the Placing and the Subscription, being 220,000,000 Shares and 95,100,000 Shares respectively.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, shall be free from all encumbrances and with all rights attaching thereto as at the Subscription Completion Date, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Shares where the relevant record date shall fall on or after the Subscription Completion Date.

Subscription Price

The Subscription Price of HK\$0.85 per Subscription Share represents:

- (i) a discount of approximately 23.42% to the closing price of HK\$1.11 per Share on 20 January 2010, being the last trading day before the date of the Subscription Agreement;
- (ii) a discount of approximately 23.42% to the average of the closing prices of the Shares in each of the last five and 10 consecutive trading days up to and including the 20 January 2010, both being approximately HK\$1.11 per Share;

- (iii) a discount of approximately 24.78% to the average of the closing prices of the Shares in the last 30 consecutive trading days up to and including 20 January 2010, being approximately HK\$1.13 per Share;
- (iv) a discount of approximately 17.48% to the average of the closing prices of the Shares in the last 90 consecutive trading days up to and including 20 January 2010, being approximately HK\$1.03 per Share; and
- (v) a premium of approximately 545.41% over the unaudited net asset value of approximately RMB0.115 per Share (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009 (based on the unaudited equity attributable to owners of the Company of approximately RMB105,114,000 as set out in the Company's interim report for the six months ended 30 June 2009 and a total of 917,288,049 Shares in issue as at 30 June 2009).

The Subscription Price is the same as the Placing Price and was determined after arm's length negotiations between the Company and Wuling HK with references to (i) the prevailing market price of the Shares during the 90-trading day period up to and including 20 January 2010; (ii) the unaudited net asset value per Share of RMB0.115 (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009; and (iii) the size of the funds requested to be raised by the Company under the Placing and the Subscription. The Directors consider that the terms of the Subscription Agreement, including the Subscription Price, are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The net price per Subscription Share amounts to approximately HK\$0.84.

The Subscription Conditions

Completion of the Subscription is conditional upon the satisfaction of the Subscription Conditions as follows:

- (a) the passing by the Shareholders who are permitted to vote under the Listing Rules of a resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM;
- (b) the Listing Committee of the Stock Exchange granting to the Company the listing of, and permission to deal in, the Subscription Shares (either unconditionally or subject to conditions which are acceptable to the Company and Wuling HK);
- (c) the SBI Placing Agreement having become unconditional in accordance with the terms thereof (other than the conditions that each of the Subscription Agreement and the Celestial Placing Agreement has become unconditional);

- (d) the Celestial Placing Agreement having become unconditional in accordance with the terms thereof (other than the conditions that each of the Subscription Agreement and the SBI Placing Agreement has become unconditional);
- (e) the obtaining by the Company of all other necessary consents, approvals, authorisations and/or waiver to effect the execution, completion and performance of the obligations and other terms of the Subscription Agreement (including but not limited to the allotment and issue of the Subscription Shares), if applicable;
- (f) the issued Shares remaining listed and traded on the Stock Exchange at all times and the current listing of the Shares not being withdrawn or the trading of the Shares not being suspended for a consecutive period of more than five Business Days and no indication being received at or before completion of the Subscription Agreement from the Stock Exchange or the Securities and Futures Commission of Hong Kong to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of completion of the Subscription Agreement or in connection with the terms of the Subscription Agreement or for any other reason; and
- (g) all representations and warranties given by the Company under the Subscription Agreement remaining true and accurate in all material respects.

None of the Subscription Conditions can be waived. If (i) the Subscription Conditions are not satisfied in full on or prior to 31 March 2010 (or such other date as may be agreed between the Company and Wuling HK in writing), the Subscription Agreement shall terminate; or (ii) the listing approval referred to in condition (b) above shall have been revoked prior to the completion of the Subscription, Wuling HK as subscriber shall be entitled to rescind the Subscription Agreement, whereby in both cases neither party to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save for any antecedent breaches of the Subscription Agreement.

Completion of the Subscription

The Subscription Agreement and the Placing Agreements are inter-conditional. Completion of the Subscription shall take place contemporaneously with the completion of the Placing Agreements on the Subscription Completion Date. Upon completion of the Subscription, the Final Number of Subscription Shares shall be allotted and issued by the Company to Wuling HK at the Subscription Price.

Completion of the Subscription is subject to the satisfaction of the Subscription Conditions, in particular, Independent Shareholders' approval and the contemporaneous completion of the Placing. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

3. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon contemporaneous completion of the Placing and the Subscription of the maximum numbers of 220,000,000 Placing Shares and 95,100,000 Subscription Shares; and (iii) immediately upon contemporaneous completion of the Placing and the Subscription of the maximum numbers of 220,000,000 Placing Shares and 95,100,000 Subscription Shares respectively, and assuming the exercise in full of the conversion rights and subscription rights respectively attached to the outstanding convertible notes issued and to the outstanding options granted by the Company, are summarised as follow:

	As at the date of this announcement		Immediately upon contemporaneous completion of the Placing and the Subscription of the maximum numbers of 220,000,000 Placing Shares and 95,100,000 Subscription Shares respectively		Immediately upon contemporaneous completion of the Placing and the Subscription of the maximum numbers of 220,000,000 Placing Shares and 95,100,000 Subscription Shares respectively and assuming the exercise in full of the conversion rights and subscription rights respectively attached to the outstanding convertible notes issued and to the outstanding options granted by the Company (Notes 5, 6 and 7)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dragon Hill Development Limited (Note 1)	259,959,613	28.34	259,959,613	21.10	259,959,613	17.97
Wuling HK (Note 2)	274,500,000	29.93	369,600,000	29.99	504,735,130	34.90
Mr. Zhou Sheji (Note 3)	44,770,000	4.88	44,770,000	3.63	44,770,000	3.10
Directors and employees of the Company	–	–	–	–	78,900,000	5.45
Public						
Placees (Note 4)	–	–	220,000,000	17.85	220,000,000	15.21
Other Public	338,058,436	36.85	338,058,436	27.43	338,058,436	23.37
Total	<u>917,288,049</u>	<u>100.00</u>	<u>1,232,388,049</u>	<u>100.00</u>	<u>1,446,423,179</u>	<u>100.00</u>

Notes:

1. The entire issued share capital of Dragon Hill Development Limited is beneficially owned by Mr. Lee Shing, an executive Director, chief executive officer and the vice-chairman of the Company.
2. The entire issued share capital of Wuling HK is held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is held by Liuzhou Wuling.
3. Mr. Zhou Sheji, an executive Director, through his controlled corporation, Gao Bao Development Limited, is interested in 44,770,000 Shares.
4. The Placing Shares will be placed by the Placing Agents to not less than six Placees, who and whose ultimate beneficial owners are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder of the Company. Accordingly, the shareholding held by the Placees is regarded as held by the public.
5. As at the date of this announcement, Wuling HK held outstanding convertible notes (the “Convertible Notes”) issued by the Company in the principal amount of HK\$100 million which are convertible into Shares during the four-year period commencing from 12 January 2010 at the conversion price of HK\$0.74 per Share (subject adjustment). Wuling HK has undertaken not to exercise the conversion rights attached to the Convertible Notes if it would result in the shareholding of it, together with parties acting in concert (has the meaning ascribed thereto under the Takeovers Code) with it, in the Company being 30% or more unless the respective applicable rules under the Takeovers Code and the Listing Rules are complied with. Details of the Convertible Notes are set out in the Company’s circular dated 16 December 2008. The above table is set out for illustration only.
6. Pursuant to the subscription agreement dated 28 November 2008 entered into between the Company and Wuling HK in relation to the Convertible Notes, the initial conversion price of the Convertible Notes is HK\$0.74 (details of which were set out in the Company’s circular dated 16 December 2008). Such initial conversion price shall be subject to adjustments as a result of the completion of the Placing and the Subscription. Further announcement will be made by the Company upon determination of the adjusted conversion price of the Convertible Notes and adjusted number of Shares which may be allotted and issued by the Company upon exercise in full of the Convertible Notes by the holder(s) thereof, if any.
7. The Company has outstanding options granted under the Company’s share option scheme entitling the grantees to subscribe for a maximum of 78,900,000 Shares at an exercise price of HK\$1.07 per Share in which 39,450,000 options shall expire on 31 December 2012, and the remaining 39,450,000 options shall expire on 31 December 2013.

4. REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and trading of engines, automotive components and specialised vehicles in the PRC, the provision of procurement services of raw materials, water and power supply as well as other businesses including provision of financial services and property investment.

Wuling HK is a company incorporated in Hong Kong with limited liability and a substantial Shareholder which is beneficially interested in 274,500,000 Shares, representing approximately 29.93% of the issued share capital of the Company as at the date of this announcement. Wuling HK is an indirect wholly-owned subsidiary of Liuzhou Wuling. 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 and special mini-vehicles and the provision of other related services.

Wuling Industrial is currently a non-wholly owned subsidiary of the Company following the subscription of 51% of the enlarged registered capital thereof by the Company in 2007 (details of which were set out in the Company's circular dated 25 June 2007). Pursuant to the terms of the agreements relating to the Company's subscription of 51% of the enlarged registered capital of Wuling Industrial, 20% of the JV Subscription Money was paid by the Company in 2007, while the Outstanding JV Subscription Money, being 80% of the JV Subscription Money, was due to be paid by the Company in August 2009. As at the date of this announcement, the Outstanding JV Subscription Money amounted to RMB225,860,000 (equivalent to approximately HK\$258,723,000) in total. The gross proceeds from the Placing and the Subscription shall amount to a maximum of HK\$187,000,000 and HK\$80,835,000 respectively. The Company shall apply the aggregate net proceeds from the Placing and the Subscription, which amount to a maximum of approximately HK\$260,000,000 in total (approximately HK\$180,000,000 and approximately HK\$80,000,000 from the Placing and the Subscription respectively, based on the price of HK\$0.85 per Share, and the maximum numbers of 220,000,000 Placing Shares and 95,100,000 Subscription Shares), to finance the settlement of the Outstanding JV Subscription Money.

Having considered the proposed application of the net proceeds from the Placing and the Subscription, the size of the funds required by the Company in relation to settlement of the Outstanding JV Subscription Money, and the respective terms of the Placing Agreements and the Subscription Agreement which are determined after arm's length negotiations by the parties thereto, the Directors consider that the respective terms of the Placing Agreements and the Subscription Agreement are fair and reasonable, and the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

The Placing Price and the Subscription Price both amount to HK\$0.85 per Share. The net proceeds from the Placing and the Subscription will amount to approximately HK\$0.82 per Share and approximately HK\$0.84 per Share respectively.

5. FUNDS RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities in the past twelve months immediately prior to the date of this announcement.

Reference is made to the announcement of the Company dated 3 July 2009 relating to the memorandum of understanding (the “MOU”) entered into by the Company and Wuling HK on 3 July 2009 setting out the parties’ intention in relation to the possible subscription by Wuling HK of convertible notes to be issued by the Company. Since the execution of the MOU on 3 July 2009, no agreement has been executed by the Company and Wuling HK for the purpose of materialising the transactions under the MOU. On 21 January 2010, the Company and Wuling HK entered into an agreement for the purpose of terminating the MOU. Accordingly the transactions under the MOU will not be pursued and materialised by the Company and Wuling HK.

6. GENERAL

The Placing Shares and the Subscription Shares will be issued under a special mandate to be tendered for Shareholders’ approval at the SGM. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares.

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Placing Agreements, the Subscription Agreement and the respective transactions contemplated thereunder.

As at the date of this announcement, Wuling HK is beneficially interested in approximately 29.93% of the issued share capital of in the Company and is therefore a substantial Shareholder. Accordingly, the entering into of the Subscription Agreement by Wuling HK, together with the transactions contemplated thereunder, constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Wuling HK and its associates shall abstain from voting at the SGM in respect of the resolution(s) in relation to the Subscription Agreement. Completion of the Subscription Agreement is subject to, among other things, the approval of Independent Shareholders at the SGM with vote to be taken by way of poll.

In addition, as the Placing and the Subscription are inter-conditional, the interest of Wuling HK in the Placing will be different from that of other Shareholders. As such, Wuling HK and its associates shall also abstain from voting at the SGM in respect of the resolution(s) relating to the Placing Agreements.

The Board will appoint an independent financial adviser to the Independent Board Committee and the Independent Shareholders to give advice in relation to the terms and conditions of the Subscription Agreement and the Placing Agreements, together with the respective transactions contemplated thereunder.

A circular of the Company containing, among other things, (i) details of the Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from the independent financial adviser; and (iv) a notice convening the SGM will be despatched to the Shareholders as soon as possible.

Completion of the Placing and the Subscription are subject to the satisfaction of the Placing Conditions and the Subscription Conditions respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

7. DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day, other than a Saturday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours
“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 issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Final Number of Placing Shares”	the number of Placing Shares finally and successfully placed by the Placing Agents under the Placing Agreements
“Final Number of Subscription Shares”	the number of Subscription Shares to be subscribed for by Wuling HK pursuant to the terms of the Subscription Agreement
“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 Board Committee”	the independent board committee of the Company to be formed and which will comprise all independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Yu Xiumin and Mr. Ye Xiang, to consider the terms of the Subscription Agreement and the Placing Agreements, together with the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Wuling HK and its associates
“Independent Third Party(ies)”	third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its connected person
“JV Subscription Money”	an aggregate amount of RMB391,000,000 as consideration is to be payable by the Company to Wuling Industrial in respect of the Company’s investment in 51% shareholding interest in Wuling Industrial, which is currently a joint venture of the Company and Liuzhou Wuling (details of which were set out in the Company’s circular dated 25 June 2007)
“Listing Rules”	the 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 Automobile Company Limited*), a wholly state-owned limited enterprise established in the PRC
“Outstanding JV Subscription Money”	the outstanding amount of JV Subscription Money due by the Company which amounted to RMB225,860,000 as at the date of this announcement
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associate procured by a Placing Agent to subscribe for any of the Placing Shares pursuant to the relevant Placing Agent’s obligations under the Placing Agreement entered into by such Placing Agent and the Company
“Placing”	the placing of the Placing Shares by the Placing Agents on a best effort basis pursuant to the Placing Agreements

“Placing Agents”	(i) SBI E2-Capital Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong), and (ii) Celestial Securities Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 3 (Leveraged Foreign Exchange Trading) regulated activities under the SFO. “Placing Agent” refers to any one of the two Placing Agents
“Placing Agreements”	(i) the placing agreement dated 21 January 2010 entered into between the Company and SBI E2-Capital Securities Limited in relation to the placing of a maximum of 170,000,000 Placing Shares by SBI E2-Capital Securities Limited on a best effort basis (subject to the consent of the Company and SBI E2-Capital Securities Limited, such maximum number of 170,000,000 Placing Shares may be increased by any shortfall of the Shares that have not been placed by Celestial Capital Limited under the Celestial Placing Agreement); and (ii) the placing agreement dated 21 January 2010 entered into between the Company and Celestial Securities Limited in relation to the placing of a maximum of 50,000,000 Placing Shares by Celestial Securities Limited on a best effort basis (subject to the consent of the Company and Celestial Securities Limited, such maximum number of 50,000,000 Placing Shares may be increased by any shortfall of the Shares that have not been placed by SBI E2-Capital Securities Limited under the SBI E2-Capital Placing Agreement). “Placing Agreement” refers to any one of the two Placing Agreements
“Placing Completion Date”	the third Business Day immediately after the date upon which the last of the Placing Conditions has been fulfilled (or such other date as may be agreed between the Company and the Placing Agent in writing). The Placing Completion Date shall be on a date which is also the Subscription Completion Date
“Placing Conditions”	the conditions precedent to each of the Placing Agreements
“Placing Price”	HK\$0.85 per Placing Share
“Placing Share(s)”	up to a total of 220,000,000 new Shares to be placed through the Placing Agents on a best effort basis under the Placing Agreements

“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
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve the Placing Agreement, the Subscription Agreement and the respective transactions contemplated thereunder
“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”	the subscription of the Subscription Shares by Wuling HK pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 21 January 2010 entered into between the Company and Wuling HK in relation to the Subscription
“Subscription Completion Date”	the third Business Day immediately after the date upon which the last of the Subscription Conditions has been fulfilled (or such other date as may be agreed between the Company and Wuling HK in writing). The Subscription Completion Date shall be on a date which is also the Placing Completion Date
“Subscription Conditions”	the conditions precedent to the Subscription Agreement
“Subscription Price”	HK\$0.85 per Subscription Share
“Subscription Shares”	the new Shares to be subscribed for by Wuling HK pursuant to the Subscription Agreement which shall be determined pursuant to the mechanism set out in the paragraph headed “Number of Subscription Shares” under the section headed “2. The Subscription Agreement” of this announcement, and which shall be up to a maximum of 95,100,000 new Shares based on the maximum number of Placing Shares

“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”	五菱(香港)控股有限公司(Wuling (Hong Kong) Holdings Limited), 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
“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 Motors”	五菱汽車(香港)有限公司(Wuling Motors (Hong Kong) Company Limited), a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of Liuzhou Wuling
“%”	per cent

On behalf of the Board

Lee Shing

Vice-Chairman and Chief Executive Officer

Hong Kong, 21 January 2010

As at the date of this announcement, the Board comprises Mr. Sun Shaoli (Chairman), Mr. Lee Shing (Vice-Chairman and Chief Executive Officer), Mr. Wei Hongwen, Mr. Zhong Xianhua, Ms. Liu Yaling and Mr. Zhou Sheji as executive Directors and Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang as independent non-executive Directors.

In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate of HK\$1.14550 = RMB1.0000 for illustration only. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such rate or any other rates.

Certain English translation of Chinese names or words in this announcement are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

* *For identification purpose only*