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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITIONS OF
THE PROPERTIES; LIANHENG ASSETS; AND LIANCHENG ASSETS**

The Board is pleased to announce that on 30 July 2010, Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into the following Agreements:

- (1) Property Sale and Purchase Agreement entered into between Wuling Industrial (as the purchaser) and Lianheng Automotive (as the seller) in relation to the sale and purchase of the Properties at a consideration of RMB60,800,000 (equivalent to approximately HK\$69,725,000);
- (2) Lianheng Assets Transfer Agreement entered into between Wuling Industrial (as the transferee) and Lianheng Automotive (as the transferor) in relation to the transfer of Lianheng Assets at a consideration of RMB44,490,000 (equivalent to approximately HK\$51,021,000); and
- (3) Liancheng Assets Transfer Agreement entered into between Wuling Industrial (as the transferee) and Liancheng Precision (as the transferor) in relation to the transfer of Liancheng Assets at a consideration of RMB32,510,000 (equivalent to approximately HK\$37,282,000).

The Property Sale and Purchase Agreement, the Lianheng Assets Transfer Agreement and the Liancheng Assets Transfer Agreement are inter-conditional, entered into by Wuling Industrial with the same party or with party connected with one another, and are aggregated when calculating the applicable percentage ratios (as defined in the Listing Rules). The Aggregate Consideration of the Acquisitions amounts to RMB137,800,000 (equivalent to approximately HK\$158,028,000).

As one of the applicable percentage ratios for the Acquisitions, on an aggregation basis, is more than 5% but less than 25%, the Acquisitions, in aggregate, will constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

(1) PROPERTY SALE AND PURCHASE AGREEMENT

Date

30 July 2010

Parties

- (i) Wuling Industrial, as the purchaser; and
- (ii) Lianheng Automotive, as the seller

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Lianheng Automotive and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

The Properties are industrial properties owned by Lianheng Automotive as at the date of this announcement and is located at 中國青島市黃島區青島經濟技術開發區團結路669號 (No. 669, Tuan Jie Road, Qingdao Economic and Technology Development Zone, Huangdao District, Qingdao, the PRC[#]). The Properties comprise one factory complex (including supporting facilities and annex) and the three pieces of lands with an aggregate area of 112,477.9 square metres.

As at the date of the Property Sale and Purchase Agreement, the relevant property ownership certificates and land use rights certificates have not been obtained by Lianheng Automotive from the relevant PRC authorities. Lianheng Automotive has undertaken to Wuling Industrial that Lianheng Automotive legally owns the Properties, and there is no legal and third parties restriction on the transfer of the Properties, and will assist Wuling Industrial to obtain all of the relevant property ownership certificates and land use rights certificates of the Properties on or before 31 December 2010.

Consideration

The consideration of the Properties in the amount of RMB60,800,000 (equivalent to approximately HK\$69,725,000) shall be payable by Wuling Industrial in cash in the following manners:

- (i) RMB24,320,000 (equivalent to approximately HK\$27,890,000, representing 40% of the consideration as the deposit) shall be payable to Lianheng Automotive within five business days from the date of the Property Sale and Purchase Agreement;

- (ii) RMB27,360,000 (equivalent to approximately HK\$31,376,000, representing 45% of the consideration) shall be payable to Lianheng Automotive within five business days from the date of the notice of the handover of the Properties (“Handover Date”), which is to be executed by Wuling Industrial and Lianheng Automotive after completion of inspection on the Properties pursuant to the Property Sale and Purchase Agreement; and
- (iii) the balance of RMB9,120,000 (equivalent to approximately HK\$10,459,000, representing 15% of the consideration) shall be payable to Lianheng Automotive within five business days from the date that all of the property ownership certificates and land use rights certificates of the Properties are obtained by Wuling Industrial.

Conditions precedent

Completion of the Property Sale and Purchase Agreement is subject to the following:

- (i) the entering into of Lianheng Assets Transfer Agreement and the Liancheng Assets Transfer Agreement and the completion of the transactions contemplated thereunder;
- (ii) the provision of “Permission on planning of construction works” (建築工程規劃許可證) and “Permission on commencement of construction works” (建築工程開工許可證) by Lianheng Automotive to Wuling Industrial;
- (iii) the entering into any separate ownership transfer agreement (if required) between Wuling Industrial and Lianheng Automotive for the purpose to register the ownership of the Properties under the name of Wuling industrial and to facilitate Wuling Industrial to obtain all of the property ownership certificates and land use rights certificates of the Properties on or before 31 December 2010;
- (iv) the settlement of all fees and tax in relation to all necessary registrations and procedures to obtain all of the property ownership certificates and land use rights certificates of the Properties by Lianheng Automotive, including but not limited to the land premium payable to relevant authorities in the PRC on the lands transferred and fees payable for the construction works on the factory complex; and
- (v) the obtaining of all necessary approvals or consents from the PRC government for the transaction contemplated under the Property Sale and Purchase Agreement (if required).

If any of the above conditions precedent have not been satisfied (which is not caused by any parties to the Property Sale and Purchase Agreement) by its relevant date by which it should be satisfied, and in any event not later than 31 December 2010, or such later date as Wuling Industrial and Lianheng Automotive may agree, either party shall have the right to terminate the Property Sale and Purchase Agreement and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms of the Property Sale and Purchase Agreement.

If any of the above conditions precedent have not been satisfied (which results from the breach of its obligation(s) by either party to the Property Sale and Purchase Agreement) by its relevant date by which it should be satisfied, and in any event not later than 31 December 2010, or such later date as Wuling Industrial and Lianheng Automotive may agree, the other party shall have the right to terminate the Property Sale and Purchase Agreement immediately and the right to pursue the party who breaches the contract.

Pursuant to the Property Sale and Purchase Agreement, Lianheng Automotive has undertaken to Wuling Industrial that Lianheng Automotive will assist Wuling Industrial to obtain all of the relevant property ownership certificates and land use rights certificates of the Properties by 31 December 2010. In case that Lianheng Automotive fails to do so, Wuling Industrial has the right to terminate the Property Sale and Purchase Agreement. Upon receiving the written notice of termination of the Property Sale and Purchase Agreement from Wuling Industrial, Lianheng Automotive shall refund Wuling Industrial the full amounts paid by Wuling Industrial together with any loss of Wuling Industrial arisen from the termination of the Property Sale and Purchase Agreement within 10 days from the notice of termination.

Completion

The completion date in relation to the purchase of the Properties shall be the date that Wuling Industrial obtains all of the relevant property ownership certificates and land use rights certificates of the Properties, which shall be on or before 31 December 2010.

Occupation and use of the Properties prior to completion

Pursuant to the Property Sale and Purchase Agreement, Wuling Industrial and Lianheng Automotive further agreed that with effect from the Handover Date, Lianheng Automotive shall refrain from occupying and using the Properties and shall assign the right of occupation and use of the Properties to Wuling Industrial solely without any further compensation and restrictions from Lianheng Automotive and other third parties.

(2) LIANHENG ASSETS TRANSFER AGREEMENT

Date

30 July 2010

Parties

- (i) Wuling Industrial, as the transferee; and
- (ii) Lianheng Automotive, as the transferor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Lianheng Automotive and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

The Lianheng Assets includes a list of machinery which serves as production facilities for automotive components, two motor vehicles, a list of office equipment and certain kitchen facilities, which are currently owned and operated by Lianheng Automotive.

During the course of transferring the Lianheng Assets, Lianheng Automotive will provide additional services (the "Lianheng Additional Services"), including information and documentations on (i) human resources; (ii) logistic and management information system; (iii) production management system; and (iv) all products, quality control, quality accreditation, and facilities etc. of Lianheng Automotive to Wuling Industrial, on a free of charge basis.

Consideration

The consideration of the Lianheng Assets in the amount of RMB44,490,000 (equivalent to approximately HK\$51,021,000) shall be payable by Wuling Industrial in cash in the following:

- (i) RMB17,790,000 (equivalent to approximately HK\$20,401,000, representing 40% of the consideration) shall be payable to Lianheng Automotive within five business days from the date of the Lianheng Assets Transfer Agreement;
- (ii) RMB20,020,000 (equivalent to approximately HK\$22,959,000, representing 45% of the consideration) shall be payable to Lianheng Automotive within five business days from the date of notice of the handover of the Lianheng Assets, which is to be executed by Wuling Industrial and Lianheng Automotive after completion of stocktake on the Lianheng Assets pursuant to the Lianheng Assets Transfer Agreement; and
- (iii) the balance of RMB6,680,000 (equivalent to approximately HK\$7,661,000, representing 15% of the consideration) shall be payable to Lianheng Automotive after Wuling Industrial has used Lianheng Assets for normal production for at least one month upon completion of the hand over procedures of the Lianheng Assets; and within five business days from the date that all property ownership certificates and land use rights certificates of the Properties are obtained by Wuling Industrial pursuant to the Property Sale and Purchase Agreement.

Condition precedent

Completion of the Lianheng Assets Transfer Agreement is conditional upon the execution of the Property Sale and Purchase Agreement and Liancheng Assets Transfer Agreement. If the latter two agreements become invalidated, terminated or ceased, Lianheng Assets Transfer Agreement shall be of null effect.

Completion

Completion shall take place on the full satisfaction of the condition precedent and the obtaining of the relevant property ownership certificates and land use rights certificates of the Properties by Wuling Industrial pursuant to the Property Sale and Purchase Agreement, which shall be on or before 31 December 2010.

Prior to this, Lianheng Automotive shall physically transfer the Lianheng Assets to Wuling Industrial within five business days from the date of the Lianheng Assets Transfer Agreement and to complete the relevant registration processes (if any) and to deliver the Lianheng Additional Services to Wuling Industrial within three months from the date of the Lianheng Assets Transfer Agreement.

(3) LIANCHENG ASSETS TRANSFER AGREEMENT

Date

30 July 2010

Parties

- (i) Wuling Industrial, as the transferee; and
- (ii) Liancheng Precision, as the transferor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Liancheng Precision and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

The Liancheng Assets includes five sets of pressing machinery which are designed to be used as production facilities for automotive components. The Liancheng Assets, which were installed in late 2009 and 2010, have not yet fully operated.

During the course of transferring the Liancheng Assets, Liancheng Precision will provide additional services (the “Liancheng Additional Services”) to Wuling Industrial, including information and documentations on (i) human resources; (ii) logistic and management information system; (iii) production management system; and (iv) all products, quality control, quality accreditation, and facilities etc. of Liancheng Precision, on a free of charge basis.

Consideration

The consideration of the Liancheng Assets in the amount of RMB32,510,000 (equivalent to approximately HK\$37,282,000) shall be payable by Wuling Industrial in cash in the following:

- (i) RMB13,000,000 (equivalent to approximately HK\$14,908,000, representing 40% of the consideration) shall be payable to Liancheng Precision within five business days from the date of the Liancheng Assets Transfer Agreement;
- (ii) RMB14,620,000 (equivalent to approximately HK\$16,766,000, representing 45% of the consideration) shall be payable to Liancheng Precision within five business days from the date of notice of the handover of the Liancheng Assets, which is to be executed by Wuling Industrial and Liancheng Precision after completion of stocktake on the Liancheng Assets pursuant to the Liancheng Assets Transfer Agreement; and
- (iii) the balance of RMB4,890,000 (equivalent to approximately HK\$5,608,000, representing 15% of the consideration) shall be payable to Liancheng Precision after Wuling Industrial has used Liancheng Assets for normal production for at least one month upon completion of the hand over procedures of Liancheng Assets; and within five business days from the date that all property ownership certificates and land use rights certificates of the Properties are obtained by Wuling Industrial pursuant to the Property Sale and Purchase Agreement.

Condition precedent

Completion of the Liancheng Assets Transfer Agreement is conditional upon the execution of the Property Sale and Purchase Agreement and Lianheng Assets Transfer Agreement. If the latter two agreements become invalidated, terminated or ceased, Liancheng Assets Transfer Agreement shall be of null effect.

Completion

Completion shall take place on the full satisfaction of the condition precedent and the obtaining of the relevant property ownership certificates and land use rights certificates of the Properties by Wuling Industrial pursuant to the Property Sale and Purchase Agreement, which shall be on or before 31 December 2010.

Prior to this, Liancheng Precision shall physically transfer the Liancheng Assets to Wuling Industrial within five business days from the date of the Liancheng Assets Transfer Agreement and to complete the relevant registration processes (if any) and to deliver the Liancheng Additional Services to Wuling Industrial within three months from the date of the Liancheng Assets Transfer Agreement.

The Aggregate Consideration of the Acquisitions amounts to RMB137,800,000 (equivalent to approximately HK\$158,028,000) has been arrived at after arm's length negotiation between Wuling Industrial, Lianheng Automotive and Liancheng Precision and was determined at a discount to the valuation conducted by a PRC valuer engaged by Wuling Industrial and will be satisfied by internal resources of the Wuling Industrial Group.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in the manufacturing and trading of engines, automotive components and specialized 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.

Lianheng Automotive is a company established in the PRC and is principally engaged in the manufacturing and sales of automotive components as well as designs of vehicles molds.

Liancheng Precision is a company established in the PRC and is principally engaged in the manufacturing and designs of automotive components.

To the best of the Directors' knowledge, Lianheng Automotive and Liancheng Precision are related companies and both are owned by the same ultimate beneficial owner as at the date of this announcement.

Wuling Industrial is a non-wholly owned subsidiary of the Company as at the date of this announcement. Wuling Industrial and its subsidiaries (the "Wuling Industrial Group") are principally engaged in manufacturing of motor vehicle engines, parts and special mini-vehicles in the PRC. For the past two years, Wuling Industrial Group has experienced impressive growth in businesses, where Qingdao is one of the fastest growing regions. To cope with the increasing demands from the customers, Wuling Industrial Group has planned to undertake various capacity expansion programs. Wuling Industrial considers the Properties to be a desirable option for its expansion programs due to the close proximity to the existing production facilities of a key customer and the existing factory of the Wuling Industrial Group in Qingdao. The Directors consider that the Acquisitions, in particular the Properties, Lianheng Assets and Liancheng Assets, will provide immediate available facilities and will be beneficial to the expansion of Wuling Industrial's operation in the future. The Directors are of the view that the Acquisitions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Property Sale and Purchase Agreement, the Lianheng Assets Transfer Agreement and the Liancheng Assets Transfer Agreement are inter-conditional, entered into by the Group with the same party or with party connected with one another and are aggregated when calculating the applicable percentage ratios (as defined in the Listing Rules). The Aggregate Consideration of the Acquisitions amounts to RMB137,800,000 (equivalent to approximately HK\$158,028,000).

As one of the applicable percentage ratios for the Acquisitions, on an aggregation basis, is more than 5% but less than 25%, the Acquisitions, in aggregate, will constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	the proposed acquisitions of the Properties, the Lianheng Assets and Liancheng Assets from Lianheng Automotive and Liancheng Precision pursuant to the Property Sale and Purchase Agreement, the Lianheng Assets Transfer Agreement and the Liancheng Assets Transfer Agreement respectively
“Aggregate Consideration”	the aggregate consideration in the amount of RMB137,800,000 payable by Wuling Industrial for the Acquisitions pursuant to each of the Agreements
“Agreements”	the Property Sale and Purchase Agreement, the Lianheng Assets Transfer Agreement and the Liancheng Assets Transfer Agreement
“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 issued Shares of which are listed on the Stock Exchange
“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
“Liancheng Assets”	the assets owned by Liancheng Precision and to be transferred to Wuling Industrial pursuant to the Liancheng Assets Transfer Agreement, details of the assets are set out in the paragraph headed “Assets to be acquired” under the section headed “Liancheng Assets Transfer Agreement”
“Liancheng Assets Transfer Agreement”	the conditional assets transfer agreement dated 30 July 2010 entered into between Wuling Industrial and Liancheng Precision in relation to transfer of Liancheng Assets
“Liancheng Precision”	青島聯成精密模具有限公司 (Qingdao Liancheng Precision Mold Co. Limited [#]), a company established in the PRC and is the transferor to the Liancheng Assets Transfer Agreement
“Lianheng Assets”	the assets owned and operated by Lianheng Automotive and to be transferred to Wuling Industrial pursuant to the Lianheng Assets Transfer Agreement, details of the assets are set out in the paragraph headed “Assets to be acquired” under the section headed “Lianheng Assets Transfer Agreement”
“Lianheng Assets Transfer Agreement”	the conditional assets transfer agreement dated 30 July 2010 entered into between Wuling Industrial and Lianheng Automotive in relation to transfer of Lianheng Assets
“Lianheng Automotive”	青島聯恒汽車零部件有限公司 (Qingdao Lianheng Automotive Components Co. Limited [#]), a company established in the PRC and is the seller to the Property Sale and Purchase Agreement and the transferor to the Lianheng Assets Transfer Agreement respectively
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the industrial properties located in 中國青島市黃島區青島經濟技術開發區團結路669號 (No. 669, Tuan Jie Road, Qingdao Economic and Technology Development Zone, Huangdao District, Qingdao, the PRC [#]), details of the properties is set out in the paragraph headed “Assets to be acquired” under the section headed “Property Sale and Purchase Agreement”

“Property Sale and Purchase Agreement”	the conditional property sale and purchase agreement dated 30 July 2010 entered into between Lianheng Automotive and Wuling Industrial in relation to the sale and purchase of the Properties
“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
“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 non-wholly owned subsidiary of the Company
“%”	per cent

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00= RMB0.872.

By order of the Board
Sun Shaoli
Chairman

Hong Kong, 30 July 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.

The English translations of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

** For identification purpose only*