

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**DISCLOSABLE AND CONNECTED TRANSACTION:
CAPITAL INJECTION
TO A JOINT VENTURE COMPANY IN THE PRC**

The Board is pleased to announce that on 21 April 2011, the Company, Liuzhou Wuling and Wuling Industrial entered into the WI Capital Increase Agreement for the purpose of increasing the registered and paid up capital of Wuling Industrial, a non-wholly owned subsidiary of the Company and the existing registered and paid up capital of which is owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively, from RMB767,000,000 to RMB960,000,000. The WI Capital Increase which involves a total amount of RMB193,000,000 (equivalent to approximately HK\$230,056,000) will be contributed as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Accordingly, the respective equity interests of the Company and Liuzhou Wuling in the registered and paid up capital of Wuling Industrial will remain at the existing level of approximately 50.98% and 49.02% upon completion of the WI Capital Increase.

Liuzhou Wuling is the ultimate holding company of Wuling HK which holds 433,651,975 Shares, representing approximately 37.05% of the issued share capital of the Company. Thus Liuzhou Wuling is regarded as a connected person of the Company under the Listing Rules. In addition, Liuzhou Wuling owns approximately 49.02% equity interest in Wuling Industrial, a non-wholly owned subsidiary of the Company. Therefore Wuling Industrial is also regarded as a connected person of the Company under the Listing Rules. Accordingly, the execution of the WI Capital Increase Agreement by the Company, Liuzhou Wuling and Wuling Industrial, together with the contribution by the Company towards the WI Capital Increase contemplated thereunder, constitutes a connected transaction for the Company. Since one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% but less than 25% and the total contribution to be made by the Company towards the WI Capital Increase is more than HK\$10,000,000, the WI Capital Increase Agreement and the WI Capital Increase constitutes a disclosable transaction and a non-exempt connected transaction for the Company and the WI Capital Increase is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules. In view of the interests of Liuzhou Wuling and Wuling Industrial in the WI Capital Increase Agreement, Liuzhou Wuling, Wuling Industrial and their respective associates will abstain from voting on the resolution in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among other things, (i) details of the WI Capital Increase; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the WI Capital Increase; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the WI Capital Increase; and (iv) a notice of the SGM is expected to be despatched to the Shareholders on or before 18 May 2011.

BACKGROUND

The Board is pleased to announce that on 21 April 2011, the Company, Liuzhou Wuling and Wuling Industrial entered into the WI Capital Increase Agreement for the purpose of increasing the registered and paid up capital of Wuling Industrial, a non-wholly owned subsidiary of the Company and the existing registered and paid up capital of which is owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively, from RMB767,000,000 to RMB960,000,000. The WI Capital Increase which involves a total amount of RMB193,000,000 (equivalent to approximately HK\$230,056,000) will be contributed as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Accordingly, the respective equity interests of the Company and Liuzhou Wuling in the registered and paid up capital of Wuling Industrial will remain at the existing level of approximately 50.98% and 49.02% upon completion of the WI Capital Increase.

WI CAPITAL INCREASE AGREEMENT

Date of the WI Capital Increase Agreement:

21 April 2011.

Parties to the WI Capital Increase Agreement:

1. The Company;
2. Liuzhou Wuling; and
3. Wuling Industrial.

Liuzhou Wuling is the holding company of Wuling HK, the controlling Shareholder which is currently interested in approximately 37.05% of the total issued share capital of the Company. In addition, Liuzhou Wuling owns approximately 49.02% equity interest in Wuling Industrial, a non-wholly owned subsidiary of the Company. Accordingly, Liuzhou Wuling, Wuling HK and Wuling Industrial are the connected persons of the Company.

WI Capital Increase and payment terms:

Wuling Industrial, a limited company established in the PRC, is a non-wholly owned subsidiary of the Company and the existing registered and paid up capital of which is owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Pursuant to the WI Capital Increase Agreement, the Company and Liuzhou Wuling have conditionally agreed to carry out the WI Capital Increase by increasing the registered and paid up capital of Wuling Industrial from RMB767,000,000 to RMB960,000,000, with an increase of registered and paid up capital of RMB193,000,000 (equivalent to approximately HK\$230,056,000). The Company and Liuzhou Wuling will be responsible for contributing in cash of RMB98,390,000 (equivalent to approximately HK\$117,281,000) and RMB94,610,000 (equivalent to approximately HK\$112,775,000) respectively. The respective contributions of the

Company and Liuzhou Wuling towards the WI Capital Increase have been determined in proportion to their respective equity interests in the existing registered and paid up capital of Wuling Industrial. Upon completion of the WI Capital Increase, the equity interests of the Company and Liuzhou Wuling will remain at the existing level of approximately 50.98% and 49.02%, respectively.

Subject to fulfillment of the Conditions Precedent in full, the Company and Liuzhou Wuling will have to pay in full their respective contributions towards the WI Capital Increase within 30 days from the date of approvals relating to the WI Capital Increase granted to Wuling Industrial by the relevant government authorities of the PRC.

All payments by the Company towards the WI Capital Increase will be made in Hong Kong dollars.

Conditions Precedent:

The WI Capital Increase Agreement is conditional upon the following Conditions Precedent:

- (a) all documents necessary for the WI Capital Increase, including the WI Capital Increase Agreement, and the amended articles of association of Wuling Industrial, having been duly executed by the Company, Liuzhou Wuling and Wuling Industrial in accordance with applicable laws and rules;
- (b) all permissions and approvals in respect of the WI Capital Increase having been obtained by Liuzhou Wuling from the relevant PRC governmental authorities;
- (c) the passing by the Independent Shareholders of a resolution to approve the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM; and
- (d) the WI Capital Increase having been unanimously approved by the board of directors of Wuling Industrial, and having been reported to and registered with the relevant government authorities in the PRC.

None of the Conditions Precedent can be waived. If the Conditions Precedent are not satisfied in full before 30 July 2011 or such later date as the parties to the WI Capital Increase Agreement may otherwise agree, the WI Capital Increase Agreement will lapse, and none of the parties thereto shall have any claim against the others in respect of the WI Capital Increase.

Others:

Subject to applicable PRC laws and regulations, each of the Company and Liuzhou Wuling may transfer all or part of its equity interest in, and contribution to the registered and paid up capital of, Wuling Industrial to the other or to any third party(ies). Each of the Company and Liuzhou Wuling will have the first right of refusal to acquire the other's equity interest in, and contribution to the registered and paid up capital of, Wuling Industrial in any proposed transfer by the other party.

REASONS FOR THE WI CAPITAL INCREASE

The Company, through Wuling Industrial which is its approximately 50.98% owned subsidiary, is principally engaged in manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading and supply services of raw materials, water and power in the PRC.

The Company announced on 30 July 2010 the Qingdao Acquisition, which involves the acquisition of certain properties by Wuling Industrial in Qingdao, including three pieces of land, one factory complex (including supporting facilities and annex) as well as certain assets (comprising production facilities and machinery for the production of automotive components) and the entering into of the Acquisition Agreements in relation thereto by the Company and the vendors thereof. As detailed in the Open Offer Circular and the Open Offer Prospectus, Wuling Industrial has intended to implement the Post Acquisition Expansion Programmes by further developing the land under the Qingdao Acquisition for the planned capacity expansion programmes of the Wuling Industrial Group commencing from 2011 onwards upon completion of the Qingdao Acquisition. Without taking into account of other on-going capacity expansion programmes which will take place simultaneously, it is planned that upon full completion of the Post Acquisition Expansion Programmes in or about mid-2013, the annual production capacity of the automotive component division of the Wuling Industrial Group will be increased by 300,000 units a year, representing an approximately 30% increase based on the then existing production capacity. Based on current estimations, the Post Acquisition Expansion Programmes will have a funding requirement for planned capital expenditures of approximately RMB340,000,000 (equivalent to approximately HK\$405,280,000). Wuling Industrial has proposed to finance the Post Acquisition Expansion Programmes by way of the following:

- (1) proposed increase in the registered and paid up capital of Wuling Industrial by a total of RMB193,000,000 (equivalent to approximately HK\$230,056,000); and
- (2) internal resources of the Wuling Industrial Group in respect of the balance of approximately RMB147,000,000 (equivalent to approximately HK\$175,224,000).

In order to maintain its approximately 50.98% equity interests in Wuling Industrial, the Company has entered into the WI Capital Increase Agreement pursuant to which it has conditionally agreed to contribute RMB98,390,000 (equivalent to approximately HK\$117,281,000), representing approximately 50.98% of WI Capital Increase.

The Wuling Industrial Group has achieved impressive growth in revenue in its Qingdao factory since its commencement of operation in 2008 resulting from the substantial increase in demands of a key customer. As the Directors expect the demands from such key customer and other new customers will continue to grow in the coming years, they are of the opinion that it is essential for Wuling Industrial to undertake active capacity expansion programmes in Qingdao, and that the Post Acquisition Expansion Programmes will be beneficial to the Group as it will enable the Group (through the Wuling Industrial Group) to have sufficient capacity in meeting the increasing demands from customers in the coming years, as well as to achieve an optimal scale of operation in promoting efficiency and profitability. The

Directors also consider that the entering into of the WI Capital Increase Agreement by the Company and its contribution towards the WI Capital Increase which is proportionate to its approximately 50.98% equity interest in Wuling Industrial will preserve its equity interest in Wuling Industrial and thus preserve the value of the Company's investment in Wuling Industrial without incurring dilution. The Directors (not including the independent non-executive Directors whose views are to be included in the circular to Independent Shareholders to be issued by the Company as mentioned in this announcement) consider that the terms of the WI Capital Increase Agreement, including the proportionate contributions of the Company and Liuzhou Wuling towards the WI Capital Increase, are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Company intends to finance its contribution towards the WI Capital Increase in the total amount of RMB98,390,000 (equivalent to approximately HK\$117,281,000) from the net proceeds from the Open Offer.

INFORMATION ON WULING INDUSTRIAL

Wuling Industrial was established on 30 October 2006 as a state-owned limited company in the PRC, and was converted into a sino-foreign joint venture on 17 August 2007 which is currently owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling. Wuling Industrial and its subsidiaries are principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialised vehicles and the trading and supply services of raw materials, water and power in the PRC. It is a non-wholly owned subsidiary of the Company.

Net profit before and after taxation and extraordinary items of the Wuling Industrial Group were approximately RMB246,395,000 and RMB198,278,000 respectively for the year ended 31 December 2010; and approximately RMB226,662,000 and RMB201,857,000 respectively for the year ended 31 December 2009. Total net assets of the Wuling Industrial Group as at 31 December 2010 and 31 December 2009 were approximately RMB1,166,809,000 and RMB1,086,673,000 respectively.

INFORMATION ON LIUZHOU WULING

Liuzhou Wuling, the ultimate beneficial controlling Shareholder, through its indirect wholly-owned subsidiary Wuling HK, is beneficially interested in approximately 37.05% of the total issued share capital of the Company as at the date of this announcement. 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, its subsidiaries and associated companies are principally engaged in the property rental, trading and manufacturing of motor vehicle engines, parts and special mini-vehicles, machinery design, repair and installation services, and other related technical support, information technology and ancillary services.

IMPLICATIONS OF THE LISTING RULES

Liuzhou Wuling is the ultimate holding company of Wuling HK which holds 433,651,975 Shares, representing approximately 37.05% of the issued share capital of the Company. Thus Liuzhou Wuling is regarded as a connected person of the Company under the Listing Rules. In addition, Liuzhou Wuling owns approximately 49.02% equity interest in Wuling Industrial, a non-wholly owned subsidiary of the Company. Therefore Wuling Industrial is also regarded as a connected person of the Company under the Listing Rules. Accordingly, the execution of the WI Capital Increase Agreement by the Company, Liuzhou Wuling and Wuling Industrial, together with the contribution by the Company towards the WI Capital Increase contemplated thereunder, constitutes a connected transaction for the Company. Since one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% but less than 25% and the total contribution to be made by the Company towards the WI Capital Increase is more than HK\$10,000,000, the WI Capital Increase Agreement, together with the WI Capital Increase contemplated thereunder, constitutes a disclosable transaction and a non-exempt connected transaction for the Company and the WI Capital Increase Agreement is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules. In view of the interests of Liuzhou Wuling and Wuling Industrial in the WI Capital Increase Agreement, Liuzhou Wuling, Wuling Industrial and their respective associates will abstain from voting on the resolution in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

GENERAL

The Independent Board Committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the WI Capital Increase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser will also be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder accordingly.

A circular containing, among other things, (i) details of the WI Capital Increase; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the WI Capital Increase; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the WI Capital Increase; and (iv) a notice of the SGM is expected to be despatched to the Shareholders on or before 18 May 2011.

DEFINITIONS

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

“Acquisition Agreements”	the agreements relating to the Qingdao Acquisition entered into among the Company and the vendors thereof on 30 July 2010 (as supplemented by a supplemental agreement by the Company and the vendors on 31 December 2010)
--------------------------	--

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Dragon Hill Wuling Automobile Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent to the completion of the WI Capital Increase
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be formed which will comprise all of the independent non-executive Directors, namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang, to advise the Independent Shareholders in respect of the WI Capital Increase Agreement
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Liuzhou Wuling, Wuling Industrial and their respective associates.
“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 Motors Company Limited*), a wholly state-owned limited enterprise established in the PRC, being the ultimate beneficial controlling Shareholder

“Open Offer”	the open offer of the Company completed in March 2011, details of which are contained in the Open Offer Circular and the Open Offer Prospectus
“Open Offer Circular”	the circular of the Company dated 15 February 2011 in relation to the Open Offer
“Open Offer Prospectus”	the prospectus of the Company dated 9 March 2011 in relation to the Open Offer
“Post Acquisition Expansion Programmes”	the development of the land under the Qingdao Acquisition for the planned capacity expansion programmes of the Wuling Industrial Group, details of which are set out in the paragraph headed “Reasons for the WI Capital Increase” of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this Prospectus excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Qingdao Acquisition”	the acquisition of certain properties by Wuling Industrial in Qingdao, details of which are set out in the paragraph headed “Reasons for the WI Capital Increase” of this announcement
“SGM”	a special general meeting of the Company to be convened for the purpose of, among other things, approving the WI Capital Increase Agreement and the transactions contemplated thereunder by the Independent Shareholders
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WI Capital Increase “	the proposed increase in the registered and paid up capital of Wuling Industrial by a total amount of RMB193,000,000 from RMB767,000,000 to RMB960,000,000 to be contributed by the Company and Liuzhou Wuling based on their equity interests in Wuling Industrial
“WI Capital Increase Agreement”	the conditional agreement dated 21 April 2011 entered into between the Company, Liuzhou Wuling and Wuling Industrial in relation to the WI Capital Increase

“Wuling HK”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder which is currently beneficially interested in approximately 37.05% of the issued share capital of the Company. 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 non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Dragon Hill Wuling Automobile Holdings Limited
Sun Shaoli
Chairman

Hong Kong, 21 April 2011

In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at RMB1.000 = HK\$1.192 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.

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.

* For identification purpose only