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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Dragon Hill Wuling Automobile Holdings Limited (the “Company”), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS –
GB TRADING TRANSACTIONS
AND
RE-ELECTION OF THE RETIRING DIRECTORS**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

 **粵海證券有限公司**
Guangdong Securities Limited

A letter from the Board (as defined herein) is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on pages 12 to 13 of this circular. A letter from Guangdong Securities (as defined herein), containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 21 of this circular.

A notice convening the SGM (as defined herein) to be held at Unit 505, 5/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong, on Friday, 21 November 2008 at 12:00 noon is set out on pages 31 to 32 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrar and transfer office at Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

3 November 2008

* For identification purpose only

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DEFINITIONS

In this circular, the following terms shall have the following meanings unless the context requires otherwise:

| | |
|--|---|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of the Directors |
| “Company” | Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司), 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 |
| “GB Purchase Transactions” | purchases of passenger mini-buses by Wuling Industrial Group from Guilin Bus which are regarded as continuing connected transactions under the Listing Rules |
| “GB Sale Transactions” | sales of parts and raw materials by Wuling Industrial to Guilin Bus which are regarded as continuing connected transactions under the Listing Rules |
| “GB Trading Agreement” | the agreement dated 2 July 2008 entered into between Wuling Industrial and Guilin Bus in relation to the GB Trading Transactions |
| “GB Trading Transactions” | the GB Purchase Transactions and the GB Sale Transactions |
| “Group” | the Company and its subsidiaries |
| “Guangdong Securities” or “Independent Financial Adviser” | Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised GB Trading Agreement |
| “Guilin Bus” | 桂林客車發展有限公司 (Guilin Bus Development Co., Ltd.), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 50% |

DEFINITIONS

| | |
|--------------------------------|--|
| “HK\$” | Hong Kong dollars, 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 comprising all the independent non-executive Directors, namely Mr. Yu Xiumin, Mr. Zuo Duofu, Mr. Cheng Kin Wah, Thomas and Mr. Ye Xiang, which is formed to consider the terms of the Revised GB Trading Agreement (together with the transactions contemplated thereunder) |
| “Independent Shareholders” | Shareholders other than Liuzhou Wuling and its associates |
| “Independent Third Party(ies)” | a person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company |
| “July Announcement” | the announcement of the Company dated 2 July 2008 in relation to, among others, the GB Trading Transactions |
| “Latest Practicable Date” | 30 October 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “Liuzhou Wuling” | 柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited), a wholly state-owned limited enterprise established in the PRC and the substantial Shareholder which is beneficially interested in approximately 29.05% of the Company |
| “PRC” | The People’s Republic of China |
| “Revised GB Trading Agreement” | the agreement dated 15 October 2008 entered into between Wuling Industrial and Guilin Bus in relation to the GB Trading Transactions to replace the GB Trading Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SGM” | special general meeting of the Company to be held on Friday, 21 November 2008 to approve the Revised GB Trading Agreement, the transactions contemplated thereunder and the re-election of the retiring Directors |

DEFINITIONS

| | |
|------------------------------|---|
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| “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 |
| “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 |

In this circular, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at HK\$1.00 = RMB0.8815 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 circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lee Shing (*Chairman and Chief Executive Officer*)
Mr. He Shiji (*Vice-Chairman*)
Mr. Sun Shaoli
Mr. Wei Hongwen
Ms. Liu Yaling
Mr. Wang Shaohua
Mr. Pei Qingrong
Mr. Zhou Sheji

Independent non-executive Directors:

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Cheng Kin Wah, Thomas
Mr. Ye Xiang

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 505, 5th floor
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

3 November 2008

To the Shareholders

Dear Sir or Madam,

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS – GB TRADING TRANSACTIONS AND RE-ELECTION OF THE RETIRING DIRECTORS

1. INTRODUCTION

The SGM is proposed to be held on Friday, 21 November 2008 at 12:00 noon at Unit 505, 5/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong. The purposes of this circular are to provide the Shareholders with further information in respect of certain resolutions regarding the following matters to be proposed at the SGM to enable the Shareholders to make their informed decisions:

- (i) the terms of the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions; and
- (ii) the re-election of the retiring Directors.

* For identification purpose only

LETTER FROM THE BOARD

2. THE REVISED GB TRADING AGREEMENT

Reference is made to the July Announcement in relation to, among others, the GB Trading Agreement. Pursuant to the GB Trading Agreement, the existing annual caps for the GB Sale Transactions and the GB Purchase Transactions are RMB22 million (equivalent to approximately HK\$25 million) for the year ending 31 December 2008 respectively. Due to an increase in the sale volume of Guilin Bus (an associate of Liuzhou Wuling), the Directors anticipate that the existing annual caps under the GB Trading Agreement will not be sufficient. As a result, on 15 October 2008, the Directors announce that Wuling Industrial and Guilin Bus entered into the Revised GB Trading Agreement in relation to the GB Trading Transactions (the sales of parts and raw materials to and purchases of passenger mini-buses from Guilin Bus by Wuling Industrial Group for the year ending 31 December 2008) for the three years ending 31 December 2010. Pursuant to the Revised GB Trading Agreement, the parties thereto have conditionally agreed that,

- (1) the annual cap for the GB Sale Transactions is increased from RMB22 million (equivalent to approximately HK\$25 million) to RMB30 million (equivalent to approximately HK\$34 million) for the year ending 31 December 2008;
- (2) the annual cap for the GB Purchase Transactions is remained unchanged as RMB22 million (equivalent to approximately HK\$25 million) for the year ending 31 December 2008;
- (3) the terms of the GB Trading Agreement is extended to the year ending 31 December 2010;
- (4) the annual caps for the GB Sale Transactions are RMB77 million and RMB110 million respectively (equivalent to approximately HK\$87 million and HK\$125 million respectively) for the years ending 31 December 2009 and 2010; and
- (5) the annual caps for the GB Purchase Transactions are RMB35 million and RMB70 million respectively (equivalent to approximately HK\$40 million and HK\$79 million respectively) for the years ending 31 December 2009 and 2010.

Save for (i) the revision to the annual cap for the year ending 31 December 2008, (ii) the setting of the annual caps for the years ending 31 December 2009 and 2010, and (iii) the condition to obtain Independent Shareholders' approval at the SGM, all other terms and conditions of the Revised GB Trading Agreement remain unchanged.

LETTER FROM THE BOARD

The Directors confirm that they will closely monitor the GB Sale Transactions and the existing annual cap of RMB22 million (equivalent to approximately HK\$25 million) for such transactions will not be exceeded before the approval of the Independent Shareholders is sought at the SGM in respect of the Revised GB Trading Agreement.

It was also set out in the Revised GB Trading Agreement that Wuling Industrial and Guilin Bus have agreed that:

- a. each GB Trading Transactions will be conducted (i) in the ordinary and usual course of the business of the 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 Group no less favourable than terms available to or from (as appropriate) Independent Third Parties;
- b. the GB Trading 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 GB Trading Transactions, will be set out in the Company's next annual report following the occurrence of the relevant GB Trading Transactions; and
- c. Guilin Bus will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the GB Trading Transactions.

3. REVISED ANNUAL CAPS FOR THE YEAR ENDING 31 DECEMBER 2008 AND THE NEW ANNUAL CAPS FOR THE YEARS ENDING 31 DECEMBER 2009 AND 2010

Set out below is a summary of the GB Trading Transactions which took place during each of the years ended 31 December 2006 and 2007 between the Group (through Wuling Industrial Group) and Guilin Bus and the proposed revised and new annual caps in respect of the Revised GB Trading Agreement for each of the years ending 31 December 2008, 2009 and 2010:

LETTER FROM THE BOARD

GB Sale Transactions

| | Year ended | | Eight months ended 31 August 2008 | Proposed annual cap for the year ending 31 December | | |
|--------------------------|------------|-------|---|--|--------|---------|
| | 2006 | 2007 | | 2008 | 2009 | 2010 |
| RMB'000 | 200 | 1,400 | 17,350 | 30,000 | 77,000 | 110,000 |
| (equivalent to HK\$'000) | 227 | 1,588 | 19,682 | 34,033 | 87,351 | 124,787 |
| % of increment | - | - | - | 20.43 times | 157% | 43% |

GB Purchase Transactions

| | Year ended | | Eight months ended 31 August 2008 | Proposed annual cap for the year ending 31 December | | |
|--------------------------|------------|------|---|--|--------|--------|
| | 2006 | 2007 | | 2008 | 2009 | 2010 |
| RMB'000 | - | - | 10,732 | 22,000 | 35,000 | 70,000 |
| (equivalent to HK\$'000) | - | - | 12,175 | 24,957 | 39,705 | 79,410 |
| % of increment | - | - | - | N/A | 59% | 100% |

The basis of the above annual caps are determined with reference to a revised business plan formulated between Wuling Industrial and Guilin Bus in relation to a new model passenger mini-buses recently launched in the market, whereby Guilin Bus would like to source key components from the Wuling Industrial Group for its production of a new model passenger mini-buses, while the Wuling Industrial Group would also like to act as a sale agent of such new model passenger mini-buses of Guilin Bus. The amounts of the above annual caps are calculated based on (a) the estimated number of vehicles planned to be produced and/or sold by Guilin Bus in the stated period of the Revised GB Trading Agreement; (b) the historical amounts of the GB Purchase Transactions and the GB Sale Transactions during the eight months ended 31 August 2008 (amounted to approximately RMB10.7 million (equivalent to approximately HK\$12.2 million) and RMB17.4 million (equivalent to approximately HK\$19.7 million) respectively); and (c) a contingent buffer of approximately 10% provided for the unanticipated fluctuations in the price of raw materials in the years ending 31 December 2009 and 2010.

LETTER FROM THE BOARD

4. REASONS FOR THE REVISED GB TRADING AGREEMENT

Guilin Bus is principally engaged in manufacturing and trading of vehicles, primarily passenger coaches and buses. Liuzhou Wuling is beneficially interested in 50% of the equity interest of Guilin Bus.

The Group, including 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 procurement services of raw materials, water and power supply. In order to enrich its product portfolio for the purpose of further developing and expanding its business, the Group, through Wuling Industrial Group, would like to supply the parts and raw materials to Guilin Bus for its production of a new model passenger mini-buses, and to further act as a sale agent of such new model passenger mini-buses of Guilin Bus.

An initial business plan was formulated between Guilin Bus and Wuling Industrial in relation to the execution of GB Trading Agreement in which the GB Sale Transactions was calculated based on a production forecast provided by Guilin Bus, in particular for the number of the new model passenger mini-buses expected to be ordered by the customers (including Wuling Industrial Group) for the year ending 31 December 2008. Recently, due to an increase in the orders from the customers (excluding Wuling Industrial Group) which amounted to approximately 25% of the original forecast and the increase of the automotive components and accessories planned to be sourced from Wuling Industrial Group, Guilin Bus amended the forecast and formulated a revised business plan with Wuling Industrial.

In addition, in view of the successful launch of the new model passenger mini-buses in the market since May 2008, Guilin Bus is confident on the continuous growth in business in the coming years. As a result, the revised business plan between Guilin Bus and Wuling Industrial was being extended to cover the three years ending 31 December 2010. Based on the revised business plan, it is estimated the number of production of the new model passenger mini-buses will be increased by approximately 100% and 33% respectively for the years ending 31 December 2009 and 2010.

On the other hand, as a sale agent of the new model passenger mini-buses, Wuling Industrial anticipates that the purchases of such mini-buses from Guilin Bus for the year ending 31 December 2008 is remained unchanged, the GB Purchase Transactions as stipulated under the GB Trading Agreement was not amended under the Revised GB Trading Agreement. However, in view of the favourable market response to the new model passenger mini-buses, Wuling Industrial expects the sales of such mini-buses will continue to grow and therefore extends the business plan for the GB Purchase Transactions to cover the three years ending 31 December 2010. Based on the revised business plan, it is estimated the number of the new model passenger mini-buses to be purchased from Guilin Bus will be increased by approximately 67% and 100% respectively for the years ending 31 December 2009 and 2010.

LETTER FROM THE BOARD

The Directors, other than the independent non-executive Directors, who will express their opinion in a separate letter which is included in this circular, consider that the GB Trading Transactions will be conducted in the ordinary and usual course of the business of the Group. In addition, each GB Trading Transaction 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 or from (as appropriate) Independent Third Parties. Therefore, the Directors, other than the independent non-executive Directors, consider that the terms, including the annual caps, of the GB Trading Transactions 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.

5. LISTING RULES IMPLICATIONS

As two of the applicable percentage ratios for the Revised GB Trading Agreement on an annual basis exceed 2.5% and each of the revised and new annual caps of the GB Trading Transactions is more than HK\$10 million, accordingly the GB Trading Transactions contemplated under the Revised GB Trading Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the Independent Shareholders' approval under Rules 14A.48 to 14A.54 of the Listing Rules at the Company's general meeting and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 to 14A.41 of the Listing Rules.

In the event that any of the respective annual caps applicable to the GB Trading Transactions as stated above is exceeded or if the Group enters into any new agreement relating to any continuing connected transactions with any connected persons in the future, the Company must re-comply with Rules 14A.35(3) and 14A.35(4) of the Listing Rules dealing with continuing connected transactions.

6. RE-ELECTION OF THE RETIRING DIRECTORS

In accordance with Bye-law 91 of the Company, Messrs. Zhou Sheji and Ye Xiang who are appointed Directors of the Company on 10 October 2008, will retire at the SGM, and being eligible, offer themselves for re-election at the SGM.

Details of the retiring Directors proposed to be re-elected at the SGM are set out in Appendix II hereto.

7. THE SGM

The SGM will be convened at Unit 505, 5/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong on Friday, 21 November 2008 at 12:00 noon to approve the Revised GB Trading Agreement, the transactions contemplated thereunder and the re-election of the retiring Directors. Liuzhou Wuling and its associates will abstain from voting on the approval of the Revised GB Trading Agreement and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

The Independent Board Committee comprising all of the independent non-executive Directors had been established to consider and advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Revised GB Trading Agreement, as well as the transactions contemplated thereunder.

Guangdong Securities has been appointed to act as the Independent Financial Adviser as regards to the terms of the Revised GB Trading Agreement, as well as the transactions contemplated thereunder. The appointment of Guangdong Securities as the Independent Financial Adviser has been approved by the Independent Board Committee.

A form of proxy is enclosed with this circular for use at the SGM. Whether or not you intended to be present at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Tricor Tengis Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time required for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

8. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to Bye-law 69 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands or by a count of votes received in the form of electronic record, unless a poll is (before or on the declaration of the result of the show of hands or count of votes as electronic records) demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three members present in person or by proxy or by a duly authorized corporate representative for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or by proxy or by a duly authorized corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (iv) any member or members present in person or by proxy or by a duly authorized corporate representative and representing and holding shares conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors consider that (i) the terms of the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the re-election of the retiring Directors are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution in relation to the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions and the Shareholders to vote in favour of the resolutions in relation to the re-election of the retiring Directors to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 12 to 13 of this circular and the letter from Guangdong Securities set out on pages 14 to 21 of this circular containing their respective recommendations and advice in relation to the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions.

10. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Dragon Hill Wuling Automobile Holdings Limited
Lee Shing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

3 November 2008

To the Independent Shareholders

Dear Sir or Madam,

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS - GB TRADING TRANSACTIONS

We refer to the circular of the Company dated 3 November 2008 (the “Circular”) to the Shareholders of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you on the terms of the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions, details of which are set out in the letter from the Board contained in the Circular. Guangdong Securities has been appointed as the Independent Financial Adviser in relation thereto. Details of the advice and recommendation of Guangdong Securities, together with the principal factors taken into consideration by Guangdong Securities in arriving its advice and recommendation, are set out in the letter from Guangdong Securities on pages 14 to 21 of the Circular.

Having considered the terms of the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions, and the relevant advice and recommendation of Guangdong Securities, we are of the view that the terms of the Revised GB Trading Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions.

Yours faithfully,

For and on behalf of the Independent Board Committee

Yu Xiumin

Zuo Duofu

Cheng Kin Wah, Thomas

Ye Xiang

Independent non-executive Directors

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Revised GB Trading Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

3 November 2008

*To: The independent board committee and the independent shareholders
of Dragon Hill Wuling Automobile Holdings Limited*

Dear Sirs,

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS – GB TRADING TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised GB Trading Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 3 November 2008 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 2 July 2008, Wuling Industrial (a non wholly-owned subsidiary of the Company) and Guilin Bus (an associate of Liuzhou Wuling which is a Substantial Shareholder) entered into the GB Trading Agreement to govern the GB Trading Transactions (i.e. the sales of parts and raw materials to and the purchases of passenger mini-buses from Guilin Bus by Wuling Industrial Group) for the year ending 31 December 2008. Due to various reasons as stated under the section headed "Reasons for the Revised GB Trading Agreement" of the Board Letter, Wuling Industrial and Guilin Bus agreed to enter into the Revised GB Trading Agreement on 15 October 2008 in relation to the GB Trading Transactions to replace the GB Trading Agreement.

Since Guilin Bus is an associate of Liuzhou Wuling, which is a Substantial Shareholder, Guilin Bus is regarded as a connected person of the Company. Accordingly, the entering into of the Revised GB Trading Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. In addition, as the relevant percentage ratios applicable to the revised and new annual caps of the GB Trading Transactions (the "Annual Caps") are over 2.5% and the aggregate consideration exceeds HK\$10 million, the Revised GB Trading Agreement and the transactions contemplate thereunder are subject to approval of the

LETTER FROM GUANGDONG SECURITIES

Independent Shareholders at the SGM by way of poll. Liuzhou Wuling and its associates shall be required to abstain from voting on the resolution(s) in respect of the Revised GB Trading Agreement and the transactions contemplated thereunder at the SGM.

An Independent Board Committee comprising Mr. Yu Xiumin, Mr. Zuo Duofu, Mr. Cheng Kin Wah, Thomas and Mr. Ye Xiang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Revised GB Trading Agreement (together with the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Annual Caps are in the interests of the Company and the Shareholders as a whole; (iii) whether the GB Trading Transactions are conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Revised GB Trading Agreement (together with the Annual Caps) and the transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Wuling Industrial Group, Guilin Bus or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the GB Trading Transactions. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GUANGDONG SECURITIES

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Revised GB Trading Agreement and the Annual Caps, we have taken into consideration the following principal factors and reasons:

(1) Background of the GB Trading Transactions

Business overview of the Group

As referred to in the Board Letter, the Group is principally engaged in the business of manufacturing and trading of engines, automotive components and accessories, and specialized vehicles in the PRC as well as the procurement services of raw materials, water and power supply.

Set out below are the financial results of the Group for the six months ended 30 June 2008 and the two years ended 31 December 2007 as extracted from the Company's unaudited interim report for the six months ended 30 June 2008 (the "Interim Report") and its audited annual report for the year ended 31 December 2007 (the "Annual Report") respectively:

| | For the six months ended 30 June 2008 RMB'000 (unaudited) | For the year ended 31 December 2007 RMB'000 (audited) | For the year ended 31 December 2006 RMB'000 (audited) | Year on year change from 2006 to 2007 % |
|-----------------------------------|---|---|---|--|
| Turnover | 3,674,925 | 2,856,456 | 16,616 | 17,091.00 |
| Gross profit | 333,328 | 264,522 | 5,360 | 4,835.11 |
| Profit for the period/year | 89,088 | 74,618 | 22,066 | 238.16 |

From the above table, we note that the Group's total turnover for the year ended 31 December 2007 had increased by approximately 17,091% as compared to the prior year. In addition, the Group also enjoyed a substantial increase in profit during the 2007 financial year. According to the Annual Report, the aforesaid improvements in turnover and profitability of the Group were mainly contributed by the four new business segments, namely (i) engines and parts; (ii) automotive components and accessories; (iii) specialized vehicles; and (iv) procurement services for raw materials, water and power supply, which the Group had explored into after the acquisition of Wuling Industrial in August 2007.

With reference to the Interim Report and as further confirmed by the Directors, it is the Group's strategy to (i) expand its business relationship with various car manufacturers in the PRC; (ii) expand the Group's capacity in the automotive components and accessories segment; (iii) launch new models of specialized vehicles to enhance the overall profitability of the Group; and (iv) control its operating cost effectively.

LETTER FROM GUANGDONG SECURITIES

Information on Wuling Industrial Group

As advised by the Directors, Wuling Industrial, a sino-foreign joint venture enterprise established in the PRC, became a non wholly-owned subsidiary of the Company in August 2007. The principal activities of Wuling Industrial Group are the manufacturing and trading of engines, automotive components and specialized vehicles in the PRC, as well as the procurement services of raw materials, water and power supply.

Information on Liuzhou Wuling

As advised by the Directors, Liuzhou Wuling is a wholly state-owned limited enterprise established in the PRC and a Substantial Shareholder. Liuzhou Wuling (together with its subsidiaries and Wuling Industrial Group) is principally engaged in the manufacturing of motor vehicle engines, parts and specialized vehicles.

Information on Guilin Bus

As advised by the Directors, Guilin Bus is a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 50% of the equity interest. The principal activities of Guilin Bus are the manufacturing and trading of vehicles, primarily passenger coaches and buses.

(2) Reasons for the GB Trading Transactions

According to the Directors, the business relationship between the Group and Guilin Bus commenced in September 2007 subsequent to Wuling Industrial becoming a non wholly-owned subsidiary of the Company. In addition, the Directors also advised that the GB Trading Transactions have been carried out since June 2008 and accordingly Wuling Industrial entered into the GB Trading Agreement with Guilin Bus.

With reference to the Board Letter, in order to enrich the Group's product portfolio for the purpose of further developing and expanding its business, the Group, through Wuling Industrial Group, would like to (i) supply the parts and raw materials to Guilin Bus for its production of a new model passenger mini-buses (the "New Mini-buses"); and (ii) further act as a sales agent of the New Mini-buses.

An initial business plan was formulated between Wuling Industrial and Guilin Bus in relation to the execution of the GB Trading Agreement. Under the GB Trading Agreement, the estimated amount of the GB Sale Transactions were calculated based on a production forecast provided by Guilin Bus, in particular the number of the New Mini-buses expected to be ordered by the customers of Guilin Bus (including Wuling Industrial Group) for the year ending 31 December 2008. Recently, owing to a jump in the orders from the customers (excluding Wuling Industrial Group) which amounted to approximately 25% of the original forecast and a rise of the automotive components and accessories which were planned to be sourced from Wuling Industrial Group, Guilin Bus amended the original production forecast and formulated a revised business plan with Wuling Industrial (the "Revised Business Plan").

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In addition, in view of the aforesaid launch of the New Mini-buses in the market in May 2008, Guilin Bus is confident on the continuous growth in business in the coming years. As a result, the Revised Business Plan had been extended to cover the three years ending 31 December 2010. Based also on the Revised Business Plan, it is estimated that the number of production of the New Mini-buses will be increased by approximately 100% and 33% respectively for the years ending 31 December 2009 and 2010.

On the other hand, as a sales agent of the New Mini-buses, Wuling Industrial anticipates that the purchase of such passenger mini-buses from Guilin Bus for the year ending 31 December 2008 will remain unchanged. For this reason, the GB Purchase Transactions as stipulated under the GB Trading Agreement was not amended under the Revised GB Trading Agreement. However, in view of the favourable market response to the New Mini-buses, Wuling Industrial expects that the sales of such passenger mini-buses will continue to grow and therefore has extended the business plan for the GB Purchase Transactions to cover the two years ending 31 December 2010. Based on the Revised Business Plan, it is estimated that the number of the New Mini-buses to be purchased from Guilin Bus will be increased by approximately 67% and 100% respectively for the years ending 31 December 2009 and 2010.

We have further enquired into the Directors regarding the reasons for the GB Trading Transactions. Upon our enquiry, the Directors advised us that given the past transaction history between Wuling Industrial Group and Guilin Bus, and the expected future demand for (i) the passenger mini-buses to be sold by Guilin Bus to its other customers; and (ii) the parts and raw materials to be sold by Wuling Industrial to Guilin Bus (the "Parts and Raw Materials"), the Directors are of the view that it is for the Group's benefit to maintain continual business relationship with Guilin Bus such that the Group may secure a steady and potentially expanding source of revenue from Guilin Bus and the ultimate customers of the passenger mini-buses.

Having considered the above, as well as the business strategy of the Group as outlined under the paragraph headed "Business overview of the Group" of this letter, we concur with the Directors that it would be beneficial for the Group to enter into the Revised GB Trading Agreement with Guilin Bus through Wuling Industrial and to carry out the GB Trading Transactions for the three years ending 31 December 2010. Moreover, we are also of the opinion that the GB Trading Transactions are conducted in the ordinary and usual course of business of the Company.

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(3) Principal terms of the Revised GB Trading Agreement

The table below summarizes the major terms of the Revised GB Trading Agreement dated 15 October 2008:

The GB Trading Transactions

| | The GB Purchase Transactions | The GB Sale Transactions |
|-------------------------------|---|---|
| Effective period: | From 1 January 2008 to 31 December 2010 (both days inclusive) | From 1 January 2008 to 31 December 2010 (both days inclusive) |
| Seller: | Guilin Bus | Wuling Industrial Group |
| Purchaser: | Wuling Industrial Group | Guilin Bus |
| Nature of transaction: | Passenger mini-buses | Parts and raw materials |

Besides the above terms, we have also reviewed other major terms of the Revised GB Trading Agreement and are not aware of any other major terms which are unusual. From the Board Letter, we also note that each GB Trading Transactions will be conducted (i) in the ordinary and usual course of the business of the 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 Group no less favourable than terms available to or from (as appropriate) Independent Third Parties. In light of all the foregoing, we consider the terms of the Revised GB Trading Agreement to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(4) The Annual Caps

The table below shows the Annual Caps for the three years ending 31 December 2010 pursuant to the Revised GB Trading Agreement:

| | Year ending 31 December | | |
|-------------------------------------|--------------------------------|-------------|-------------|
| | 2008 | 2009 | 2010 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| The GB Purchase Transactions | 22 million | 35 million | 70 million |
| The GB Sale Transactions | 30 million | 77 million | 110 million |

According to the Board Letter, the Annual Caps were determined with reference to the Revised Business Plan in relation to the New Mini-buses, whereby Guilin Bus would like to source key components from Wuling Industrial Group for production while Wuling Industrial Group would also like to act as a sales agent of the New Mini-buses. The Annual Caps were calculated based on (a) the estimated number of vehicles planned to be produced and/or sold by Guilin Bus over the stated period

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of the Revised GB Trading Agreement; (b) the historical amounts of the GB Purchase Transactions and the GB Sale Transactions during the eight months ended 31 August 2008 amounted to approximately RMB10.7 million (equivalent to approximately HK\$12.2 million) and RMB17.4 million (equivalent to approximately HK\$19.7 million) respectively; and (c) a contingent buffer of approximately 10% provided for the unanticipated fluctuations in the price of raw materials in the two years ending 31 December 2009 and 2010.

In assessing the fairness and reasonableness of the Annual Caps, we have requested and obtained from the Company the initial business plan and the Revised Business Plan. In addition, we have also discussed with the Directors regarding the basis and assumptions underlying the projections of (i) the estimated number of the sale of the New Mini-buses by Guilin Bus; (ii) the estimated amount of the purchase of the Parts and Raw Materials by Guilin Bus (together, the “Estimated Orders”); and (iii) the expected selling price of the New Mini-buses and the Parts and Raw Materials according to the Revised Business Plan. In this respect, the Directors confirmed that the Estimated Orders were projected by Guilin Bus based on its internal business plan with the prevailing and future market condition taken into account. From the initial business plan, the Revised Business Plan and our discussion with the management of the Company, we note the jump of the Estimated Orders. For our due diligence purpose, we also obtained from the Company the promotion documents describing details of the New Mini-buses and information relating to the launch of the New Mini-buses.

With regard to the expected selling price of the Mini-buses during the three years ending 31 December 2010, upon our enquiry, the Directors advised us that it was determined by Guilin Bus with reference to the selling price of the mini-buses it offered and will offer to the existing customers other than Wuling Industrial Group.

As for the expected selling price of the Parts and Raw Materials during the three years ending 31 December 2010, upon our enquiry, the Directors advised us that it was determined by the estimated cost of the Parts and Raw Materials to be incurred by Wuling Industrial Group plus a profit element which was negotiated between the parties thereto with reference to the prevailing market conditions.

We note from the Board Letter that there are significant percentage increments in the Annual Caps for the three years ending 31 December 2010. We have therefore enquired into the Directors regarding such significant increments and the Directors confirmed that they consider the increments to be reasonable taking into account (i) the launch of the New Mini-buses in the market in May 2008 which was subsequently proved to be successful; (ii) the expected growth in sales of the New Mini-buses; and (iii) the forecasted expansion in production of the New Mini-buses for the two years ending 31 December 2010 under the Revised Business Plan.

Having considered the above basis and assumptions for determining the Annual Caps, we consider that the Annual Caps for each of the three years ending 31 December 2010 are justifiable and are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that as the Annual Caps are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2010, and they do not represent forecasts of revenue to be generated from the transactions contemplated under the Revised GB Trading Agreement. Consequently, we express no opinion as to how closely the actual revenue to be generated under the GB Trading Transactions will correspond with the Annual Caps.

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(5) Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the Revised GB Trading Agreement must be restricted by the Annual Caps for the three years ending 31 December 2010; (ii) the terms of the transactions contemplated under the Revised GB Trading Agreement (including the Annual Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the Revised GB Trading Agreement (including the Annual Caps) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among others, that the transactions contemplated under the Revised GB Trading Agreement are carried out in accordance with the pricing policies of the Company and the Annual Caps are not being exceeded. In the event that the total amounts of transactions contemplated under the Revised GB Trading Agreement exceed the Annual Caps, or that there is any material amendment to the terms of the Revised GB Trading Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Revised GB Trading Agreement (including the Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Revised GB Trading Agreement (together with the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Annual Caps are in the interests of the Company and the Shareholders as a whole; and (iii) the GB Trading Transactions are conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Revised GB Trading Agreement (together with the Annual Caps) and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executive

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules:

Long positions:

In respect of the shares of the Company

| Name of Directors | Capacity | Number of Shares held | Approximate % of the issued share capital |
|-------------------|--|--------------------------|--|
| Mr. Lee Shing | Held by controlled corporation (Note 1) | 278,259,613 | 30.34 |
| Mr. Zhou Sheji | Held by controlled corporation (Note 2) | 44,770,000 | 4.88 |

Notes:

1. The 278,259,613 Shares are owned by Dragon Hill Development Limited (“Dragon Hill”), a company wholly-owned by Mr. Lee Shing. Reference is made to the circular of the Company issued on 25 June 2007 (the “Circular dated 25 June 2007”) and unless the context herewith otherwise requires, terms used in this note shall have the same meanings as in the Circular dated 25 June 2007. A share charge has been created on a number of 280,959,613 Shares held by Dragon Hill in favour of Liuzhou Wuling pursuant to the execution of the Share Charge Documents on 28 August 2007 in which Dragon Hill has agreed to guarantee and undertake to procure (i) the due performance of the Company under the JV Agreements, and (ii) the Company not to allot and issue any of the new shares of the Company without the prior written consent of Liuzhou Wuling during the Guarantee Period (i.e., the 36 month-period from the date of the Share Charge). According to the Share Sale Agreement, the Share Charge Documents should be executed simultaneously with the completion of the Share Sale Agreement and that if the Company fails to duly perform its obligations pursuant to any of the JV Agreements or if the Company issues any of the new shares in breach of its undertaking, Liuzhou Wuling (or its wholly-owned subsidiary(ies)) shall have the right to acquire the Charged Shares (i.e., the 280,959,613 Shares held by Dragon Hill, being all of the shares of the Company held by Dragon Hill upon completion of the Share Sale Agreement which are agreed to be charged to Liuzhou Wuling (or its wholly-owned subsidiary(ies)) by Dragon Hill under the Share Charge) from Dragon Hill at the price of HK\$0.29 per Charged Shares during the Guaranteed Period. Pursuant to a consent letter issued by Liuzhou Wuling, the number of Charged Shares has been reduced to 272,959,613 Shares with effect from 28 October 2008.
2. Mr. Zhou is beneficially interested in 44,770,000 shares of the Company, which interests are held by his controlled corporation, Gao Bao Development Limited.

In respect of the share options issued by the Company pursuant to the Company’s share option scheme

| Name of Director | Capacity | Number of options granted | Exercise period | Price of Grant | Subscription price per Shares |
|--------------------------|------------------|---------------------------|--|----------------|-------------------------------|
| Ms. Liu Yaling | Beneficial owner | 350,000 | From 21 January 2008 to 31 December 2009 | HK\$1.00 | HK\$2.318 |
| Mr. Wang Shaohua | Beneficial owner | 350,000 | From 21 January 2008 to 31 December 2009 | HK\$1.00 | HK\$2.318 |
| Mr. Pei Qingrong | Beneficial owner | 350,000 | From 21 January 2008 to 31 December 2009 | HK\$1.00 | HK\$2.318 |
| Mr. Yu Xiumin | Beneficial owner | 180,000 | From 21 January 2008 to 31 December 2009 | HK\$1.00 | HK\$2.318 |
| Mr. Zuo Duofu | Beneficial owner | 180,000 | From 21 January 2008 to 31 December 2009 | HK\$1.00 | HK\$2.318 |
| Mr. Cheng Kin Wah Thomas | Beneficial owner | 180,000 | From 21 January 2008 to 31 December 2009 | HK\$1.00 | HK\$2.318 |

Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no other persons had an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital:

Long Positions:

| Name of Shareholders | Capacity | Nature of interest | Number of Shares held | Approximate % of the issued share capital |
|--|------------------------------------|---------------------------|------------------------------|--|
| Dragon Hill (Notes 1 and 2) | Beneficial owner | Corporate | 278,259,613 | 30.34 |
| 五菱 (香港) 控股有限公司 (Wuling (Hong Kong) Holdings Limited) ("Wuling HK Holdings") (Notes 1, 3 and 4) | Beneficial owner | Corporate | 266,500,000 | 29.05 |
| 五菱汽車 (香港) 有限公司 (Wuling Motors (Hong Kong) Company Limited) ("Wuling HK") (Notes 1, 3 and 4) | Interest in controlled corporation | Corporate | 266,500,000 | 29.05 |
| 柳州五菱汽車有限責任公司 (Liuzhou Wuling Automobile Company Limited*) ("Liuzhou Wuling") (Notes 1, 3 and 5) | Interest in controlled corporation | Corporate | 266,500,000 | 29.05 |

Notes:

1. The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee Shing, a Director and the controlling Shareholder of the Company. Accordingly, this parcel of Shares has also been disclosed as a long position of Mr. Lee Shing under the above section.
2. Reference is made to the Circular dated 25 June 2007 and unless the context herewith otherwise requires, terms used in this note shall have the same meanings as in the Circular dated 25 June 2007. A share charge has been created on a number of 280,959,613 Shares held by Dragon Hill in favour of Liuzhou Wuling pursuant to the execution of the Share Charge Documents on 28 August 2007 in which Dragon Hill has agreed to guarantee and undertake to procure (i) the due performance of the Company under the JV Agreements, and (ii) the Company not to allot and issue any of the new shares of the Company without the prior written consent of Liuzhou Wuling during the Guarantee Period (i.e., the 36 month-period from the date of the Share Charge). According to the Share Sale Agreement, the Share Charge Documents should be executed simultaneously with the completion of the Share Sale Agreement and that if the Company fails to duly perform its obligations pursuant to any of the JV Agreements or if the Company issues any of the new shares in breach of its undertaking, Liuzhou Wuling (or its wholly-owned subsidiary(ies) shall have the right to acquire the Charged Shares (i.e., the 280,959,613 Shares held by Dragon Hill, being all of the shares of the Company held by Dragon Hill upon completion of the Share Sale Agreement which are agreed to be charged to Liuzhou Wuling (or its wholly-owned subsidiary(ies) by Dragon Hill under the Share Charge) from Dragon Hill at the price of HK\$0.29 per Charged Shares during the Guaranteed Period. Pursuant to a consent letter issued by Liuzhou Wuling, the number of Charged Shares has been reduced to 272,959,613 Shares with effect from 28 October 2008.
3. The entire issued share capital of Wuling HK Holdings is held by Wuling HK, whereas the entire issued share capital of Wuling HK is held by Liuzhou Wuling. Accordingly, Wuling HK and Liuzhou Wuling are deemed to have an interests in the Shares in which Wuling HK Holdings is interested.
4. Two Directors of the Company, namely, Messrs. He Shiji and Wei Hongwen, are Directors of Wuling HK Holdings and Wuling HK.
5. Three Directors of the Company, namely, Messrs. He Shiji, Sun Shaoli and Wei Hongwen, are executive Directors of Liuzhou Wuling.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Company.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading prospect of the Group since 31 December 2007, the date to which the latest published audited consolidated accounts of the Group were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group, which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 December 2007 (being the date to which the latest published accounts of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. QUALIFICATION, CONSENT AND INTEREST OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is included in this circular:

| Name | Qualification |
|----------------------|---|
| Guangdong Securities | a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included in this circular in the form and context in which they included.

As at the Latest Practicable Date, Guangdong Securities did not have any shareholding interest in any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Guangdong Securities did not have any direct or indirect interest in any asset which has been, since 31 December 2007 being the date to which the latest audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (i) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Unit 505, 5th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.
- (ii) The company secretary and qualified accountant of the Company, Mr. Lai Shi Hong, Edward, is a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iv) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Unit 505, 5th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong during normal business hours on any weekdays other than public holidays between the period from 3 November 2008 to 21 November 2008 (both days inclusive):

- (i) Revised GB Trading Agreement;
- (ii) the written consent of Guangdong Securities referred to under the section headed "Qualification, consent and interest of expert" in this appendix;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular; and
- (iv) the letter from Guangdong Securities, the text of which is set out on pages 14 to 21 of this circular.

Stated below are the details of the Directors who will retire and be eligible for re-election at the SGM according to the Bye-laws of the Company:

(1) MR. ZHOU SHEJI, AGED 51, AN EXECUTIVE DIRECTOR (“MR. ZHOU”)

(a) Positions held with other members of the Company’s group

Mr. Zhou was appointed as an executive Director of the Company on 10 October 2008. He is currently the assistant general manager of Wuling Industrial. Other than that, Mr. Zhou does not hold any positions with other members of the Group.

(b) Previous experience including other directorships held in listed public companies in the last three years and other major appointments and qualifications

Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 20 years of experiences in the management of various large scale projects in China ranging from transportation systems, hotel and information technology projects. Mr. Zhou did not hold any directorship in other public listed companies in the last 3 years.

(c) Length or proposed length of service with the Company

Mr. Zhou is an executive Director of the Company since 10 October 2008. There is no service contract entered into between Mr. Zhou and the Company. Mr. Zhou is not appointed for a specific term but is subject to retirement by rotation and re-election in accordance with the provision of the Bye-laws.

(d) Relationships with any Directors, senior management or substantial or controlling shareholders of the Company

Mr. Zhou does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

(e) Interest in shares of the Company within the meaning of Part XV of the SFO

As at the Latest Practicable Date, Mr. Zhou is beneficially interested in 44,770,000 shares of the Company, which interests are held by his controlled corporation, Gao Bao Development Limited. Other than disclosed above, Mr. Zhou does not have any interest in the Company’s Shares within the meaning of Part XV of the SFO.

- (f) **Director’s emoluments and the basis of determining the Director’s emoluments (including any bonus payments, whether fixed or discretionary in nature irrespective of whether the Director has or does not have a service contract) and how much of these emoluments are covered by a service contract**

Mr. Zhou, being an executive Director of the Company, will receive remuneration from the Company, including salary, discretionary bonus and other benefits. The amount of salary will be determined in accordance with Mr. Zhou’s job duties and positions in the Company and such salary level is subject to adjustments every year with reference to prevailing market condition. Payment of bonus is determined with reference to the Company’s business performance, profitability and market conditions. Other benefits include contribution to statutory pension plans and other fringe benefits according to the policy of the Company.

- (g) **Disclosure requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules**

There is no information which is discloseable nor is/was Mr. Zhou involved in any of the matters required to be disclosed pursuant to any of the requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

- (h) **Matters that need to be brought to the attention of the Shareholders of the Company**

Save as disclosed above, there are no other matters in relation to the re-election of Mr. Zhou as Director that need to be brought to the attention of the Shareholders and there is no other information to be disclosed pursuant to any of the requirements of rule 13.51(2).

- (2) **MR. YE XIANG, AGED 44, AN INDEPENDENT NON-EXECUTIVE DIRECTOR (“MR. YE”)**

- (a) **Positions held with other members of the Company’s group**

Mr. Ye was appointed as an independent non-executive Director, a member of the remuneration committee and the audit committee of the Company on 10 October 2008. Other than that, Mr. Ye does not hold any positions with other members of the Group.

- (b) **Previous experience including other directorships held in listed public companies in the last three years and other major appointments and qualifications**

Mr. Ye is the founder and managing director of VisionGain Capital Limited (“VisionGain”), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 14 years of experiences in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his joining to VisionGain, Mr. Ye was the Director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye did not hold any directorship in other public listed companies in the last 3 years.

(c) Length or proposed length of service with the Company

Mr. Ye is an independent non-executive Director of the Company since 10 October 2008. The Company has entered into a service contract with Mr. Ye which provides for 3 years but is subject to retirement by rotation and re-election in accordance with the provision of the Bye-laws.

(d) Relationships with any Directors, senior management or substantial or controlling shareholders of the Company

Mr. Ye does not have any relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

(e) Interest in shares of the Company within the meaning of Part XV of the SFO

As at the Latest Practicable Date, Mr. Ye does not have any interest in the Company's Shares within the meaning of Part XV of the SFO.

(f) Director's emoluments and the basis of determining the Director's emoluments (including any bonus payments, whether fixed or discretionary in nature irrespective of whether the Director has or does not have a service contract) and how much of these emoluments are covered by a service contract

Mr. Ye, being independent non-executive Director and a member of the remuneration committee and the audit committee of the Company, will be remunerated a fee of HK\$120,000 per annum payable on a monthly basis and a half year allowance of HK\$3,000. The amount of remuneration payable to Mr. Ye is determined in accordance with Mr. Ye's job duties and responsibilities in the Company as well as the Company's business performance, profitability and market conditions.

(g) Disclosure requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules

There is no information which is discloseable nor is/was Mr. Ye involved in any of the matters required to be disclosed pursuant to any of the requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

(h) Matters that need to be brought to the attention of the Shareholders of the Company

Save as disclosed above, there are no other matters in relation to the re-election of Mr. Ye as Director that need to be brought to the attention of the Shareholders of the Company and there is no other information to be disclosed pursuant to any of the requirements of rule 13.51(2).

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Special General Meeting of Dragon Hill Wuling Automobile Holdings Limited (“the Company”) will be held at Unit 505, 5/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong on Friday, 21 November 2008, at 12:00 noon for the following purposes:

To consider, and if thought fit, passing with or without modification the following resolutions as an **ORDINARY RESOLUTIONS**:

1. “THAT

- (1) the Revised GB Trading Agreement (copy of which has been produced to this meeting marked “A” and signed by the Chairman hereof for the purpose of identification) and the transactions contemplated thereunder and the proposed revised and new annual caps of the GB Trading Transactions be and are hereby confirmed, ratified and approved; and
- (2) the Board be and is hereby authorized to take all such actions as it considers necessary or desirable to implement and give effect to the Revised GB Trading Agreement and the transactions contemplated thereunder.

For the purposes of this resolution, the term “Revised GB Trading Agreement” and “GB Trading Transactions” shall have the same definition as defined in the circular to the Shareholders of the Company dated 3 November 2008.”

2. “THAT

To re-elect Directors and to authorise the Board of Directors to fix their remuneration.”

By Order of the Board
Dragon Hill Wuling Automobile Holdings Limited
Lee Shing
Chairman

* For identification purpose only

NOTICE OF SGM

As at the date of this notice, the Board comprises Mr. Lee Shing (Chairman and Chief Executive Officer), Mr. He Shiji (Vice-Chairman), Mr. Sun Shaoli, Mr. Wei Hongwen, Ms. Liu Yaling, Mr. Wang Shaohua, Mr. Pei Qingrong and Mr. Zhou Sheji as executive Directors and Mr. Yu Xiumin, Mr. Zuo Duofu, Mr. Cheng Kin Wah, Thomas and Mr. Ye Xiang as independent non-executive Directors.

Hong Kong, 3 November 2008

Notes:

1. Any member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote, on a poll, on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use in connection with the above meeting is enclosed and such form is also published on the website of the Stock Exchange (www.hkexnews.hk).
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of authority must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the above meeting (or at any adjournment thereof). Completion and return of the forms of proxy will not preclude a member from attending the meeting and voting in person if he so wishes. In this event that a member attends the meeting after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
4. Shareholders are advised to read the circular to the Shareholders of the Company dated 3 November 2008 which contains information concerning the resolutions to be proposed in this notice.
5. Resolution No.1 to be proposed at the meeting shall be decided by way of poll.