
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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This circular appears for information purpose only and does not constitute an invitation of offer to acquire, purchase or subscribe for securities of the Company.



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)

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE NOTES

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



Grand Vinco Capital Limited

(wholly owned subsidiary of Vinco Financial Group Limited)

A letter from the Board (as defined herein) is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on page 17 of this circular. A letter from the Independent Financial Adviser (as defined herein), containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 29 of this circular.

A notice convening the SGM (as defined herein) to be held at 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong, at 12:00 noon on Monday, 5 January 2009 is set out on pages 37 to 38 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.

16 December 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:

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|------------------------|--|
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of the Directors |
| “Business Day” | a day, other than a Saturday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours |
| “Company” | Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司*), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the Subscription |
| “Conditions Precedent” | the conditions precedent for Completion to take place as set out in the paragraph headed “Conditions Precedent” in the letter from the Board contained in this circular |
| “connected person(s)” | has the meaning ascribed to it in Chapter 1 of the Listing Rules and as extended by Chapter 14A of the Listing Rules |
| “Conversion Period” | the period commencing from the date falling on the first anniversary of the Issue Date up to and including the date falling on the fifth Business Day prior to the Maturity Date |
| “Conversion Price” | the conversion price for the exercise of the conversion rights attaching to the Convertible Notes, which is initially set at HK\$0.74 per Conversion Share and subject to adjustments |
| “Conversion Share(s)” | new Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes |

DEFINITIONS

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| “Convertible Notes” | the convertible notes in the aggregate principal amount of HK\$100,000,000 conditionally agreed to be issued by the Company to the Subscriber pursuant to the Subscription Agreement |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent committee of the Board comprising three independent non-executive Directors formed to consider the terms of the Subscription Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholders other than (i) the Subscriber and its associates; and (ii) persons who are prohibited to vote in respect of the Subscription Agreement and the transactions contemplated thereunder under the Listing Rules |
| “Issue Date” | the date of issue of the Convertible Notes |
| “Latest Practicable Date” | 12 December 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “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 liability enterprise established in the PRC |
| “Maturity Date” | the maturity date of the Convertible Notes, being the date falling on the fifth anniversary of the Issue Date |
| “Outstanding Subscription Money” | being 80% of the relevant subscription money payable by the Company to Wuling Industrial in respect of the Company’s investment in Wuling Industrial, details of which are set out in the Company’s circular dated 25 June 2007 |
| “PRC” | the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

DEFINITIONS

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| “RMB” | Renminbi, the lawful currency of the PRC |
| “SGM” | the special general meeting of the Company to be convened and held on 5 January 2009 for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder |
| “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 Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” | Wuling (Hong Kong) Holdings Limited (五菱(香港)控股有限公司), a company incorporated in Hong Kong with limited liability and a substantial Shareholder which was beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Liuzhou Wuling through Wuling HK |
| “Subscription” | subscription of the Convertible Notes by the Subscriber pursuant to the Subscription Agreement |
| “Subscription Agreement” | the subscription agreement dated 28 November 2008 entered into between the Company and the Subscriber in relation to the Subscription |
| “substantial Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Vinco Capital” or “Independent Financial Adviser” | Grand Vinco Capital Limited, a wholly owned subsidiary of Vinco Financial Group Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) 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 Subscription Agreement and the transactions contemplated thereunder |

DEFINITIONS

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| “Wuling HK” | Wuling Motors (Hong Kong) Company Limited (五菱汽車(香港)有限公司), a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of Liuzhou Wuling. It is the sole shareholder of the Subscriber |
| “Wuling Industrial” | 柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited), a company established in the PRC and a non-wholly owned subsidiary of the Company |
| “%” | per cent |

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.

** For identification purpose only*

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

16 December 2008

To the Shareholders and, for information only, the holders of options of the Company

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE NOTES

1. INTRODUCTION

On 28 November 2008, the Company and the Subscriber (being a substantial Shareholder) entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK\$100,000,000.

As the Subscriber is a substantial Shareholder which was beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the approval of the Independent Shareholders by way of poll at the SGM. The Subscriber and its associates shall abstain from voting on the resolution in respect of the Subscription Agreement together with the transactions contemplated thereunder at the SGM.

* For identification purpose only

LETTER FROM THE BOARD

The Independent Board Committee, comprising three independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Yu Xiumin and Mr. Ye Xiang, has been formed to consider the terms and conditions of the Subscription Agreement and the transaction contemplated thereunder and to give relevant recommendation to the Independent Shareholders. Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder so far as the Independent Shareholders are concerned and as to whether the Subscription is in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription Agreement and the transactions contemplated thereunder, including the Subscription and the issue of Convertible Notes; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Vinco Capital; (iv) further information on the Group; and (v) the notice of SGM.

2. THE SUBSCRIPTION AGREEMENT

Time and date: After trading hours on 28 November 2008

Parties:

- (i) The Company (as issuer); and
- (ii) the Subscriber (as subscriber), a company incorporated in Hong Kong with limited liability and a substantial Shareholder which was beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date.

3. THE CONVERTIBLE NOTES

Issue of the Convertible Notes

The Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK\$100,000,000 pursuant to the Subscription Agreement.

Conditions Precedent

Completion is conditional upon the satisfaction of the following Conditions Precedent:

- (a) the Independent Shareholders having passed an ordinary resolution at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Notes and the allotment and issue of the Conversion Shares;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares;

LETTER FROM THE BOARD

- (c) (if required) the Bermuda Monetary Authority granting its consent to the issue of the Convertible Notes and the allotment and issue and free transferability of the Conversion Shares; and
- (d) all necessary consents and approvals having been obtained by the Subscriber in relation to the transactions contemplated under the Subscription Agreement.

None of the Conditions Precedent can be waived. If the Conditions Precedent have not been fulfilled on or before 30 May 2009 or such other date as may be agreed in writing by the Subscriber, the Subscription Agreement shall lapse and the parties to the Subscription Agreement will be released from all obligations thereunder save for any antecedent breaches of the Subscription Agreement.

Completion

Completion shall take place on the fifth Business Day after all Conditions Precedent have been satisfied, or such other date as the Subscriber may agree in writing.

Principal terms of the Convertible Notes

The principal terms of the Convertible Notes are summarised below:

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|------------------------------|---|
| Aggregate principal amount | HK\$100,000,000. |
| Maturity Date | The date falling on the fifth anniversary of the Issue Date, on which all outstanding principal amount, together with all outstanding accrued interest, shall become due and repayable by the Company to the holder(s) of the Convertible Notes. |
| Conversion rights | At any time during the Conversion Period, holder(s) of the Convertible Notes shall have the right to convert the principal amount of the Convertible Notes (in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion) into Conversion Shares at the then prevailing Conversion Price. |
| Issue price | 100% of the aggregate principal amount of the Convertible Notes. |
| Redemption price at maturity | 100% of the outstanding principal amount of the Convertible Notes on the Maturity Date. |
| Early redemption | Save for the occurrence of any event of default as set out in the Subscription Agreement, holder(s) of the Convertible Notes shall not be entitled to demand for early repayment of the Convertible Notes. |

LETTER FROM THE BOARD

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| Face value of the Convertible Note certificates | HK\$10,000,000 per Convertible Note certificate. |
| Interest | The Convertible Notes shall bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 6% per annum. Interest shall be payable yearly in arrears commencing 12 months after the Issue Date. In the event that the Company shall be in arrears of any payment under the Convertible Notes, a default interest at the rate of 10% per annum shall be payable by the Company. |
| Conversion Period | The Convertible Notes will be convertible during the period from the date falling on the first anniversary of the Issue Date up to and including the date falling on the fifth Business Day prior to the Maturity Date. |
| Conversion price | <p>The holder(s) of the Convertible Notes may exercise the conversion rights attaching thereto to convert any outstanding principal amount of the Convertible Notes into Conversion Shares at the prevailing Conversion Price during the Conversion Period.</p> <p>The initial Conversion Price is HK\$0.74 per Conversion Share, subject to such usual adjustments as may be made in the event of, including but not limited to, share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issuance of Shares or securities carrying rights of conversion into or subscription for Shares. The initial Conversion Price was determined by the parties after arm's length negotiations and with reference to the prevailing market prices of the Shares and the unaudited consolidated net asset value per Share of approximately RMB0.14 as at 30 June 2008 (based on the unaudited consolidated net asset value attributable to the Shareholders of approximately RMB127,886,000 as at 30 June 2008 and a total of 917,288,049 Shares in issue as at that date).</p> <p>The initial Conversion Price represents:</p> <p>(i) a premium of approximately 12.12% over the closing price of HK\$0.66 per Share on 27 November 2008, being the last trading day before the date of the Subscription Agreement;</p> |

LETTER FROM THE BOARD

- (ii) a premium of approximately 14.91% over the average closing price per Share of HK\$0.644 for the five consecutive trading days up to and including 27 November 2008;
 - (iii) a premium of approximately 16.72% over the average closing price per Share of HK\$0.634 for the ten consecutive trading days up to and including 27 November 2008;
 - (iv) a premium of approximately 2.78% over the average closing price per Share of HK\$0.720 for the 30 consecutive trading days up to and including 27 November 2008; and
 - (v) a premium of approximately 60.87% over the closing price of HK\$0.46 per Share as at the Latest Practicable Date.
- Ranking of the Conversion Shares
- The Conversion Shares, when allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes, shall rank pari passu in all respects with all other then issued Shares at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.
- Transferability
- No assignment or transfer (whether in whole or in part(s)) of the Convertible Notes may be made unless:
- (a) it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the holder(s) of the Convertible Notes; or
 - (b) it is made to other person(s) who is(are) not connected person(s) of the Group.
- Voting
- A holder of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of its being a holder of the Convertible Notes.
- Others
- (a) No conversion shall be allowed in the event that such conversion would render the percentage of the total number of Shares held by the public falling below the percentage as prescribed by the Listing Rules from time to time.

LETTER FROM THE BOARD

- (b) A holder of the Convertible Notes shall undertake not to exercise the conversion rights attaching to the Convertible Notes if it would result in the shareholding of the holder of the Convertible Notes, together with parties acting in concert (has the meaning ascribed thereto under the Takeovers Code) with it, in the Company being 30% or more unless the respective applicable rules under the Takeovers Code and the Listing Rules are complied with.

Upon the exercise in full of the conversion rights attaching to the Convertible Notes (in the denomination of HK\$10,000,000 per certificate) at the initial Conversion Price of HK\$0.74 per Conversion Share, a total of 135,135,130 Conversion Shares will be allotted and issued, representing approximately 14.73% of the issued share capital of the Company as at the Latest Practicable Date and approximately 12.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes.

Further announcements in relation to conversion of the Convertible Notes

In view of the dilution effect on the existing Shareholders upon the exercise of the conversion rights attaching to the Convertible Notes, the Company will make subsequent disclosure of the relevant details of the conversion relating to the Convertible Notes in the manner described below to enable the Shareholders and the public to appraise the position of the Company from time to time:

- (i) the Company will make a monthly announcement (the “**Monthly Announcement**”) on the websites of the Stock Exchange and the Company for so long as any Convertible Notes are outstanding. Such announcement will be made on or before the fifth Business Day following the end of each calendar month and will include the following details in a table form:
 - (a) whether there is any conversion of the Convertible Notes during the relevant month. If there is a conversion, details thereof including the conversion date, number of Conversion Shares issued and Conversion Price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (b) the outstanding principal amount of Convertible Notes after the conversion, if any;

LETTER FROM THE BOARD

- (c) the total number of new Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to the exercise of any options under any share option scheme(s) of the Company; and
 - (d) the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (ii) in addition to the Monthly Announcement, if the cumulative amount of Conversion Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the websites of the Stock Exchange and the Company including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be); and
- (iii) if the Company forms the view that any issue of Convertible Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Convertible Notes as mentioned in (i) and (ii) above.

LETTER FROM THE BOARD

4. SHAREHOLDING STRUCTURE

The following table shows the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the exercise of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price which leads to the Subscriber holding a 29.99% interest in the Company; (iii) immediately upon the exercise in full of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price; and (iv) immediately after exercise in full of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price and exercise of the subscription rights attaching to the outstanding options of the Company:

| | As at the Latest Practicable Date | | Immediately upon the exercise of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price which leads to the Subscriber holding a 29.99% interest in the Company (Note 4) | | Immediately upon the exercise in full of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price (Note 4) | | Immediately after (a) exercise in full of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price and (b) exercise of the subscription rights attaching to the outstanding options of the Company (Notes 4&5) | |
|--|-----------------------------------|---------------|---|---------------|--|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Dragon Hill Development Limited (Note 1) | 278,259,613 | 30.34 | 278,259,613 | 30.31 | 278,259,613 | 26.44 | 278,259,613 | 26.07 |
| The Subscriber (Note 2) | 274,500,000 | 29.93 | 275,400,000 | 29.99 | 409,635,130 | 38.92 | 409,635,130 | 38.37 |
| Mr. Zhou Sheji (Note 3) | 44,770,000 | 4.88 | 44,770,000 | 4.88 | 44,770,000 | 4.25 | 44,770,000 | 4.19 |
| Directors and employees under the Company's share option scheme (Note 5) | - | - | - | - | - | - | 15,070,000 | 1.41 |
| Public | 319,758,436 | 34.85 | 319,758,436 | 34.82 | 319,758,436 | 30.39 | 319,758,436 | 29.96 |
| Total | <u>917,288,049</u> | <u>100.00</u> | <u>918,188,049</u> | <u>100.00</u> | <u>1,052,423,179</u> | <u>100.00</u> | <u>1,067,493,179</u> | <u>100.00</u> |

Notes:

1. The entire issued share capital of Dragon Hill Development Limited is beneficially owned by Mr. Lee Shing, an executive Director and the chairman of the Company.
2. The entire issued share capital of the Subscriber is held by Wuling HK, while the entire issued share capital of Wuling HK is held by Liuzhou Wuling.

LETTER FROM THE BOARD

3. Mr. Zhou Sheji, an executive Director, through his controlled corporation, Gao Bao Development Limited, is interested in 44,770,000 Shares.
4. The Subscriber has undertaken not to exercise the conversion rights attaching to the Convertible Notes if it would result in the shareholding of the Subscriber, together with parties acting in concert (having the meaning ascribed thereto under the Takeovers Code) with it, in the Company being 30% or more unless the respective applicable rules under the Takeovers Code and the Listing Rules are complied with.
5. The Company has outstanding options granted under the Company's share option scheme entitling the grantees to subscribe for a maximum of 15,070,000 Shares at an exercise price of HK\$2.318 per Share with expiry on 31 December 2009.

5. REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTES AND USE OF PROCEEDS

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

The Subscriber is a company incorporated in Hong Kong with limited liability and a substantial Shareholder which is beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date. The Subscriber is an investment holding company and is an indirect wholly-owned subsidiary of Liuzhou Wuling. Liuzhou Wuling is a wholly stated-owned limited liability company established in the PRC with the State-owned Assets Supervisions and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會) being its registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Liuzhou Wuling and its subsidiaries are principally engaged in the manufacturing of motor vehicle engines, parts and special mini-vehicles.

Wuling Industrial is currently a non-wholly owned subsidiary of the Company following the subscription of 51% of the enlarged registered capital thereof by the Company in 2007 (details of which were set out in the Company's circular dated 25 June 2007) for which 20% of the relevant subscription money was paid by the Company in 2007, while the Outstanding Subscription Money, being 80% of the relevant subscription money, is payable by the Company by 17 August 2009.

In view of the recent turmoil in the financial market and the resulting credit crunch, which has tightened the availability of funds and increased the cost of funding for the Company, the Directors consider that the issue of the Convertible Notes is an appropriate means of raising additional capital for the Company. Given that (i) the issue of the Convertible Notes will not have any immediate dilution effect on the shareholding of the existing Shareholders; and (ii) the initial Conversion Price represents a premium of approximately 12.12% over the closing price of HK\$0.66 per Share on 27 November 2008, being the last trading day before the date of the Subscription Agreement, the

LETTER FROM THE BOARD

Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Company intends to apply the net proceeds from the issue of the Convertible Notes of approximately HK\$99,000,000 to finance the Outstanding Subscription Money payable by the Company to Wuling Industrial in respect of the Company's investment in Wuling Industrial.

6. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any fund raising activities within the 12 months prior to the Latest Practicable Date.

7. LISTING RULES IMPLICATION

As at the Latest Practicable Date, the Subscriber is beneficially interested in approximately 29.93% of the issued share capital of the Company and is a substantial Shareholder. Accordingly, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which requires approval of the Independent Shareholders voting by way of poll at the SGM. The Subscriber and its associates shall abstain from voting on the resolution in respect of the Subscription Agreement, together with the transactions contemplated thereunder, at the SGM.

The Independent Board Committee, comprising three independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Yu Xiumin and Mr. Ye Xiang, has been formed to consider the terms and conditions of the Subscription Agreement and the transaction contemplated thereunder. The Board is of the view that due to the health condition of Mr. Cheng Kin Wah, Thomas, the remaining independent non-executive Director who is currently hospitalised, Mr. Cheng Kin Wah, Thomas is not suitable to join the Independent Board Committee to give advice in relation to the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder.

Vinco Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give advice in relation to the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

8. THE SGM

The SGM will be convened and held at 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong at 12:00 noon, on Monday, 5 January 2009 to approve the Subscription Agreement and the transactions contemplated thereunder. The Subscriber and its associates will abstain from voting on the resolution in respect of the Subscription Agreement and the transactions contemplated thereunder at the SGM.

A form of proxy is enclosed with this circular for use at the SGM. Whether or not you intend 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.

9. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to bye-law 69 of the bye-laws 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 authorised 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 authorised 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 authorised 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

10. RECOMMENDATION

The Directors consider that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution in relation to the Subscription Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular and the letter from Vinco Capital set out on pages 18 to 29 of this circular containing their respective recommendation and advice in relation to the Subscription Agreement and the transactions contemplated thereunder.

11. FURTHER INFORMATION

Your attention is also drawn to the additional information on the Group set out in the Appendix 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)

16 December 2008

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
IN RELATION TO
THE PROPOSED ISSUE OF CONVERTIBLE NOTES**

We refer to the circular of the Company dated 16 December 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 fairness and reasonableness of the terms and the conditions of the Subscription Agreement as well as on the transactions contemplated thereunder, details of which are set out in the letter from the Board contained in the Circular. Vinco Capital has been appointed as the Independent Financial Adviser in relation thereto. Details of the advice and recommendation of Vinco Capital, together with the principal factors taken into consideration by Vinco Capital in arriving at its advice and recommendation, are set out in the letter from Vinco Capital on pages 18 to 29 of the Circular.

Having considered the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder, and the relevant advice and recommendation of Vinco Capital, we are of the view that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Yu Xiumin Zuo Duofu Ye Xiang

Independent non-executive Directors

* For identification purpose only

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the proposed issue of the Convertible Notes which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

16 December 2008

*To the Independent Board Committee and the Independent Shareholders of
Dragon Hill Wuling Automobile Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ISSUE OF CONVERTIBLE NOTES

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed issue of the Convertible Notes, details of which are set out in the section headed "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 16 December 2008 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 28 November 2008, the Company announced that the Company entered into the Subscription Agreement with the Subscriber (being a substantial Shareholder) pursuant to which, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Notes in an aggregate principal amount of HK\$100,000,000. The Convertible Notes are convertible into Conversion Shares at the initial Conversion Price of HK\$0.74.

Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price of HK\$0.74 per Conversion Share, an aggregate of a maximum of 135,135,130 Consideration Shares shall be allotted and issued, representing approximately 14.73% of the Company's issued share capital as at the Latest Practicable Date and approximately 12.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

As the Subscriber is beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date and is thus a substantial Shareholder of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to, inter alia, the approval of the Independent Shareholders taken

LETTER FROM VINCO CAPITAL

by way of poll at the SGM. Under the Listing Rules, the Subscriber and his associates, shall abstain from voting on the resolution in respect of the Subscription Agreement together with the transactions contemplated thereunder at the SGM.

The Independent Board Committee, comprising Mr. Zuo Duofu, Mr. Yu Xiumin and Mr. Ye Xiang, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the proposed issue of the Convertible Notes. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed issue of the Convertible Notes. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the proposed issue of the Convertible Notes are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects. We have assumed that the amounts denominated in RMB in this letter, for illustration purpose only, have been translated into HK\$ at exchange rate of HK\$1.00 = RMB0.887. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

LETTER FROM VINCO CAPITAL

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the proposed issue of the Convertible Notes, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed issue of the Convertible Notes and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions, without our prior written consent.

THE SUBSCRIPTION AGREEMENT

Principal factors and reasons considered

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the proposed issue of the Convertible Notes, we have considered the principal factors and reasons set out below:

1. *Background of the Group*

The Group is principally engaged in (a) the manufacturing and trading of engines, automotive components and specialized vehicles in the PRC; (b) the provision of procurement services of raw materials, water and power supply; and (c) other businesses including provision of financial services and property investment.

Set out below is the summary of the financial highlights for the two years ended 31 December 2007 and for the six months ended 30 June 2008 as extracted from the Group's annual report 2007 and interim report 2008:

| | For the six months ended 30 June 2008 (unaudited) RMB'000 | For the year ended 31 December 2007 (audited) RMB'000 | 2006 (audited) RMB'000 |
|-------------------------------|--|--|---------------------------------------|
| Revenue | 3,674,925 | 2,856,456 | 16,616 |
| Profit for the year/period | 89,088 | 74,618 | 22,066 |
| Profit attributable | | | |
| to the Shareholders | 8,406 | 11,147 | 22,066 |
| Net assets value attributable | | | |
| to the equity-holders | 127,886 | 108,576 | 33,364 |

For the six months ended 30 June 2008, the Group's revenue was amounted to approximately RMB3,674,925,000 (equivalent to approximately HK\$4,143,095,000) and its profit attributable to the equity-holders was RMB8,406,000 (equivalent to approximately HK\$9,477,000). The Group's net assets value was approximately RMB661,368,000 (equivalent to approximately

LETTER FROM VINCO CAPITAL

HK\$745,623,000), in which the amount attributable to the equity-holders was RMB127,886,000 (equivalent to approximately HK\$144,178,000) as at 30 June 2008. For the year ended 31 December 2007, the Group's revenue recorded a substantial growth by approximately 170.9 times to approximately RMB2,856,456,000 (equivalent to approximately HK\$3,220,356,000). As stated in the annual report 2007, this robust growth was mainly due to the set up of Wuling Industrial as a sino foreign joint venture subsidiary of the Company in August 2007 and the Group's repositioned strategy in pursuing the business opportunities arising from the fast growing automobile industry in the PRC.

Besides, net profit for the year 2007 recorded a substantial growth by approximately 238.16% to approximately RMB74,618,000 (equivalent to approximately HK\$84,124,000) when compared to year 2006. In addition, the net assets value of the Group was amounted to approximately RMB580,689,000 (equivalent to approximately HK\$654,666,000, in which the amount attributable to the Shareholders was RMB108,576,000 (equivalent to approximately HK\$122,408,000) for the year ended 31 December 2007 as compared to approximately RMB33,364,000 (equivalent to approximately HK\$37,614,000) as recorded in the previous year.

2. *Background of and reasons for the issue of Convertible Notes and use of proceeds*

i. Information on the Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability and a substantial Shareholder, being beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date. Besides, the Subscriber is also an indirect wholly-owned subsidiary of Liuzhou Wuling.

ii. Information on Liuzhou Wuling

Liuzhou Wuling is a wholly-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 Peoples' Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Liuzhou Wuling and its subsidiaries are principally engaged in the manufacturing of motor vehicle engines, parts and special mini-vehicles.

iii. Reasons for the issue of the Convertible Notes

Wuling Industrial is a company established in the PRC. Following the subscription of 51% of the enlarged registered capital thereof by the Company in 2007 (details of which were set out in the Company's circular dated 25 June 2007), Wuling Industrial is thus a non-wholly owned subsidiary of the Company with 20% of the relevant subscription money was paid by the Company in 2007 and the remaining Outstanding Subscription Money shall be payable by the Company by 17 August 2009.

LETTER FROM VINCO CAPITAL

As a result of the recent global financial turmoil and the credit crunch, the availability of the funds is thus tightened and it also raises the cost of funding for the Company. As such, we are of the view that the proposed issue of the Convertible Notes provides an opportunity for the Group to raise additional capital and further strengthen its financial position amid the global financial turmoil.

iv. Use of proceeds

Upon the Completion, the Group intends to apply the net proceeds from the issue of the Convertible Notes of approximately HK\$99,000,000 to finance the Outstanding Subscription Money payable to Wuling Industrial in respect of the Company's investment in Wuling Industrial.

3. *Terms of the Subscription Agreement*

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Notes in an aggregate principal amount of HK\$100,000,000, which can be converted into a maximum of 135,135,130 Conversion Shares at the initial Conversion Price of HK\$0.74 per Conversion Share.

i. Principle terms of the Convertible Notes

In assessing the reasonableness of the terms of the Convertible Notes, we have reviewed and identified, on a best effort basis, 16 companies listed on the Stock Exchange that announced to issue or already issued convertible bonds/notes (the "CN Comparables") from 26 August 2008 to 27 November 2008 (the "Last Trading Day"), being approximately three months before the date of entering into the Subscription Agreement. However, Shareholders should note that the business, operations and prospects of the Company are not the same as the CN Comparables and we have not conducted any in-depth investigation into the business and operations of the CN Comparables. Thus, the CN Comparables are only used to provide a general reference for the common market practice of companies

LETTER FROM VINCO CAPITAL

listed on the Stock Exchange in transactions which involved the issue of convertible notes/bonds. The table below summarizes our findings:

| Date of the announcement | Company name | Stock code | Principle amount (HK\$'000) | Conversion price (HK\$) | Maturity (years) | Interest rate (%) | Premium/ (discount) of conversion price over/(to) Closing price as the closing price as the closing price as | |
|--------------------------|--|------------|--------------------------------|----------------------------|---------------------|----------------------|--|--------------------------------|
| | | | | | | | at the last trading day (HK\$) | at the last trading day (%) |
| 28-Nov-08 | Karce International Holdings Company Limited | 1159 | 2,300 | 0.4 | 5.0 | nil | 0.40 | 0.00 |
| 21-Nov-08 | Intelli-Media Group (Holdings) Limited | 8173 | 5,110 | 0.70 | 10.00 | nil | 0.90 | (22.22) |
| 11-Nov-08 | Melco LottVentures Limited | 8198 | 75,000 | 1.0759 | 5.00 | 0.1 | 0.78 | 37.94 |
| 10-Nov-08 | Radford Capital Investment Limited | 901 | 45,000 | 0.15 | 3.00 | nil | 0.165 | (9.09) |
| 3-Nov-08 | Lo's Enviro-Pro Holdings Limited | 309 | 65,000 | 0.31 | 3.00 | nil | 0.17 | 82.35 |
| 9-Oct-08 | Unity Investments Holdings Limited | 913 | 38,000 | 0.132 | 3.00 | nil | 0.14 | (5.71) |
| 5-Oct-08 | China Solar Energy Holdings Limited | 155 | 43,200 | 0.106 | 2.00 | n/a | 0.106 | 0.00 |
| 5-Oct-08 | Intelli-Media Group (Holdings) Limited | 8173 | 2,230 | 1.11678 | 3.00 | 3.0 | 0.66 | 69.21 |
| 29-Sep-08 | Radford Capital Investment Limited | 901 | 45,000 | 0.15 | 3.00 | nil | 0.165 | (9.09) |
| 26-Sep-08 | Sun Innovation Holdings Limited | 547 | 7,200 | 0.105 | 1.50 | 5.0 | 0.093 | 12.90 |
| 25-Sep-08 | Rising Development Holdings Limited | 1004 | 43,200 | 0.06 | 3.00 | nil | 0.069 | (13.04) |
| 22-Sep-08 | WLS Holdings Limited | 8021 | 10,200 | 0.60 | 2.00 | 8.0 | 0.15 | 300.00 |
| 17-Sep-08 | Neolink Cyber Technology (Holdings) Limited | 8116 | 465,000 | 0.08 | 5.00 | nil | 0.06 | 33.33 |
| 5-Sep-08 | China Fortune Holdings Limited | 110 | 100,000 | 0.70 | 2.00 | nil | 0.30 | 133.33 |
| 2-Sep-08 | China Chief Cable TV Group | 8153 | 50,000 | 0.456 | 3.00 | 2.0 | 0.455 | 0.22 |
| | Maximum | | | | 10.00 | 8.00 | | 300.00 |
| | Mean | | | | 3.57 | 3.62 | | 40.68 |
| | Minimum | | | | 1.50 | 0.10 | | (22.22) |
| | The Company | | 100,000 | 0.74 | 5.00 | 6.00 | 0.66 | 12.12 |

Source: <http://www.hkex.com.hk>

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Note:

1. The interest rate for this CN Comparable is equivalent to the best lending rate for Hong Kong dollar loan as quoted from time to time by the Hongkong and Shanghai Banking Corporation Limited and is thus not comparable to the interest rate of the Convertible Notes which is of a fixed nature.
2. The maturity date for this CN Comparable is 12 March 2010 which translates to a term of approximately 1.5 years.

Conversion Price

The Convertible Notes are convertible into the Conversion Shares at the initial Conversion Price of HK\$0.74 per Conversion Share. The initial Conversion Price are subject to adjustments made upon occurrence of events for share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and issuance of Shares or securities carrying rights of conversion into or subscription for Shares.

As set out in the Letter from the Board, the initial Conversion Price of HK\$0.74 was determined by the parties after arm's length negotiations and with reference to the prevailing market prices of the Shares and the unaudited consolidated net asset value per Share of approximately RMB0.14 as at 30 June 2008 (which is derived from the unaudited consolidated net asset value attributable to the equity-holders of the Group of approximately RMB127,886,000 (equivalent to approximately HK\$144,178,000) as at 30 June 2008 and a total of 917,288,049 issued Shares as at that date). The initial Conversion Price represents:

- (i) a premium of approximately 60.87% over the closing price of HK\$0.46 per Share as at the Latest Practicable Date;
- (ii) a premium of approximately 12.12% over the closing price of HK\$0.66 per Share on the Last Trading Day;
- (iii) a premium of approximately 14.91% over the average closing price per Share of HK\$0.644 for the five consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 16.72% over the average closing price per Share of HK\$0.634 for the ten consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 2.78% over the average closing price per Share of HK\$0.720 for the 30 consecutive trading days up to and including the Last Trading Day.

LETTER FROM VINCO CAPITAL

As disclosed in the table above, the conversion prices of the CN Comparables range from a discount of approximately 22.22% to a premium of approximately 300.00% to the respective closing price as at the Last Trading Day prior to the release of the relevant announcements. The Conversion Price for the Conversion Shares, which represented a premium of approximately 12.12% over the closing price of the Last Trading Day and falls within the range of those of the CN Comparables.

Having considered that (i) the Convertible Notes has no immediate shareholding dilution effect on its existing public Shareholders; (ii) the strengthening of the Group's financial position through the issue of the Convertible Notes; (iii) the premium of 12.12% over the closing price of Shares as at the Last Trading Day and falls within the range of the CN Comparables, we are of the view that the Conversion Price of the Convertible Notes is fair and reasonable so far as the Independent Shareholders are concerned.

Interest rate

The Convertible Notes will bear interest at a rate of 6% per annum on the outstanding principal amount of the Convertible Notes thereof from the Issue Date, payable on a yearly basis. In case that the Company shall be in arrears of any payment under the Convertible Notes, a default interest rate of 10% per annum shall then be payable by the Company.

As set out in the table above, the interest rate of the CN Comparables ranges from nil to 8% per annum. The Convertible Notes bears an interest rate of 6% per annum, which falls within the range of the CN Comparables and is higher than the average interest rate of approximately 3.62% per annum of the CN Comparables. Given that the interest rate is determined after arm's length negotiation between the parties and with reference to the prevailing market conditions (in particular, the recent financial turmoil and global credit crunch which has worsened and tightened the availability of funds provided by the financial institutions and has led to the increase in cost of capital of businesses) and the cost of finance currently available to the Group, we consider that the interest rate of 6% per annum is justifiable. Also, given that (i) the tightening of credit standards by many financial institutions amid the global credit crunch; and (ii) the default rate of 10% is only charged to the Company in case that it is in arrears of any payment under the Convertible Notes, we are thus of the view that the default interest rate of 10% is acceptable.

LETTER FROM VINCO CAPITAL

Maturity

The maturities of the CN Comparables range from 1.5 to 10 years with an average of about 3.6 years. The Convertible Notes has a maturity of 5 years, which falls within the range of the CN Comparables and is slightly higher than the average maturity of about 3.6 years of the CN Comparables. Thus, we believe that the maturity of 5 years of the Convertible Notes is justifiable and is fair and reasonable so far as the Independent Shareholders concerned.

Other terms of the Convertible Notes

We have also reviewed the other terms of the Convertible Notes and are not aware of any terms which are uncommon, save for the default interest. However, as discussed above, after taking into consideration that (i) the recent tightening of credit standards by many financial institutions amid the global credit crunch; (ii) the issue of the Convertible Notes is one of the best fund raising methods as compared to other financing alternatives as discussed below; and (iii) the default rate of 10% is only charged to the Company in case that it is in arrears of any payment under the Convertible Notes, we are of the view that the default interest rate of 10% is acceptable. Accordingly, we are thus of the opinion that the terms of the Convertible Notes are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Other financing alternatives

We have also enquired into the Directors regarding other financing alternatives available to the Company and we are advised by the Directors that the Company normally considers both debt financing and equity financing to satisfy its capital requirements. As confirmed by the Directors, owing to the recent financial turmoil and the resulting global credit crunch has tightened the availability of funds in the market and increased the cost of funding for the Company, it may be difficult for the Company to secure a principal amount of HK\$100 million borrowings / debts from banks or other financial institutions with favorable terms. In addition, the Directors are also of the view that negotiations with the banks are usually lengthy and are subject to complex due diligence processes. In light of the above, the Directors consider bank borrowings to be relatively uncertain, impracticable and time-consuming. As for the other forms of equity financing such as placing, rights issue or open offer, most would incur substantial costs in form of placing commission or underwriting commission. Furthermore, the Directors consider that the Company may encounter difficulties in procuring commercial underwriting as a result of the recent global financial turmoil. Therefore, the Directors believe that the issue of the Convertible Notes offers the best balance in terms of financing flexibility and relatively low recurring interest expense and we concur with the Director's view that the issue of the Convertible Notes is a feasible, cost and time effective fund raising alternative currently available to the Company and is in the interest of the Company and the Independent Shareholders as a whole.

After taking into consideration that (i) the issue of the Convertible Notes would provide immediate cash inflow to the Group for improving its financial position and has no immediate shareholding dilution effect before conversion of the Convertible Notes; (ii) the Conversion Price has a premium of approximately 12.12% over the closing price of the Shares as at the Last Trading Day, we are thus of the view that the proposed issue of the Convertible Notes is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM VINCO CAPITAL

ii. Possible dilution to the existing shareholdings of the Independent Shareholders in the Company

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion and the exercise of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price which leads to the Subscriber holding a 29.99% interest in the Company; (iii) immediately upon Completion and assuming full conversion of the Convertible Notes; (iv) immediately upon Completion and assuming full conversion of the Convertible Notes and the outstanding options of the Company:

| Shareholders | Existing shareholding structure as at the Latest Practicable Date | | Immediately upon Completion and the exercise of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price which leads to the Subscriber holding a 29.99% interest in the Company (Note 4) | | | | Immediately upon Completion and assuming both full conversion of the Convertible Notes and the outstanding options of the Company (Notes 4 & 5) | |
|--|---|---------------|--|---------------|----------------------|---------------|---|---------------|
| | Number of Shares | % | Number of Shares | % | Number of Shares | % | Number of Shares | % |
| Dragon Hill Development Limited (Note 1) | 278,259,613 | 30.34 | 278,259,613 | 30.31 | 278,259,613 | 26.44 | 278,259,613 | 26.07 |
| The Subscriber (Note 2) | 274,500,000 | 29.93 | 275,400,000 | 29.99 | 409,635,130 | 38.92 | 409,635,130 | 38.37 |
| Mr. Zhou Sheji (Note 3) | 44,770,000 | 4.88 | 44,770,000 | 4.88 | 44,770,000 | 4.25 | 44,770,000 | 4.19 |
| Directors and employees under the Company's share option scheme (Note 5) | - | - | - | - | - | - | 15,070,000 | 1.41 |
| Public Shareholders | 319,758,436 | 34.85 | 319,758,436 | 34.82 | 319,758,436 | 30.39 | 319,758,436 | 29.96 |
| Total | 917,288,049 | 100.00 | 918,188,049 | 100.00 | 1,052,423,179 | 100.00 | 1,067,493,179 | 100.00 |

Notes

- Dragon Hill Development Limited is beneficially owned as to 100% by Mr. Lee Shing, an executive Director and chairman of the Company.
- The entire issued share capital of the Subscriber is held by Wuling HK, in which its entire issued share capital is held by Liuzhou Wuling.
- Mr. Zhou Sheji, an executive Director of the Company, through his controlled corporation, Gao Bao Development Limited, is interested in 44,770,000 Shares.

LETTER FROM VINCO CAPITAL

4. The Subscriber has undertaken not to exercise the conversion rights attaching to the Convertible Notes if it would result in the shareholding of the Subscriber, together with parties acting in concert (being the meaning ascribed thereto under the Takeovers Code) with it, in the Company being 30% or more unless the respective applicable rules under the Takeovers Code and the Listing Rules are complied with.
5. As at the Latest Practicable Date, the Company has outstanding options granted under the Company's share option scheme entitling the grantees to subscribe for a maximum of 15,070,000 Shares at an exercise price of HK\$2.318 per Share with expiry on 31 December 2009.

Upon Completion and assuming full conversion of the Convertible Notes, a total of 135,135,130 Conversion Shares shall be issued, representing approximately 14.73% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 12.84% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Notes.

From the table above, we noted that the shareholding interests of the public Shareholders would be diluted from approximately 34.85% to approximately 30.39% of the enlarged issued share capital of the Company following the issue of the Convertible Notes. Upon Completion and assuming both full conversion of the Convertible Notes and the outstanding options of the Company, the shareholding interests of the public would be further diluted to 29.96%

We noted that the purpose of the issue of Convertible Notes is to settle the Outstanding Subscription Money to Wuling Industrial which results in no immediate benefit to the Shareholders and the possible dilution of the existing shareholdings of the Company (other than the Subscriber) upon full conversion of the Convertible Notes. However, given that (i) the issue of the Convertible Notes is one of the best fund raising methods as compared to other financing alternatives; (ii) the fact that the issue of the Convertible Notes would not result in immediate dilution effect on shareholdings; (iii) the issue of the Convertible Notes will enable the Group to strengthen its financial position; and (iv) the Conversion Price represents a premium of approximately 12.12% over the closing price of the Shares as at the Last Trading Day, we are of the view that the possible dilution to the existing public Shareholders as a result of the issue of the Convertible Notes is acceptable.

4. *Financial effects of the issue of Convertible Notes*

i. *Liquidity and working capital*

According to the interim report 2008 of the Company, the Group has bank balances and cash of approximately RMB660,116,000 (equivalent to approximately HK\$744,212,000 as at 30 June 2008). Assuming the Completion and the issue of the Convertible Notes, there would be cash inflow to the Group in the amount of approximately HK\$99,000,000, leading to an increase in the current assets as well as the working capital of the Group. It would then be used for settling the Outstanding Subscription Money, resulting in a decrease in current liabilities of the Group. Therefore, we consider that the proposed issue of the Convertible Notes will strengthen the liquidity and working capital position of the Group.

LETTER FROM VINCO CAPITAL

ii. Net assets value attributable to the equity-holders

The audited net assets value attributable to the equity-holders of the Group of approximately RMB127,886,000 (equivalent to approximately HK\$144,178,000) as at 30 June 2008. Assuming the Convertible Notes are converted in full at HK\$0.74 per Share, the consolidated net assets value attributable to the equity-holders of the Group will be increased by approximately HK\$99 million. Assuming the issue of the Convertible Notes, the net asset value per Share would be increased by approximately 68.79% from approximately HK\$0.157 as at 30 June 2008 to approximately HK\$0.265. Subsequent to the settlement of the Outstanding Subscription Money, the net asset value per Share would remain unchanged at the same level immediately after the issue of the Convertible Notes.

iii. Gearing

According to the annual report 2007 of the Company, the gearing ratio of the Group as at 31 December 2007 was approximately 21.3%, which is derived by dividing the total bank borrowings of the Group of approximately RMB123,731,000 (equivalent to approximately HK\$139,494,000) by the Group's net assets of approximately RMB580,689,000 (equivalent to approximately HK\$654,666,000). Assuming the issue of the Convertible Notes, the estimated gearing ratio of the Group would be decreased to approximately 18.5%, which resulted from the increase in the Group's net assets by HK\$99 million. Subsequent to the settlement of the Outstanding Subscription Money, the gearing ratio of the Group would stay the same with the same level immediately after the issue of the Convertible Notes.

CONCLUSION

Having taken into the principal factors and reasons as the abovementioned, we are of the view that the Subscription is in the ordinary and usual course of business of the Company and is in the interest of the Shareholders and the Company as a whole. We also consider the terms of the Subscription Agreement are in normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote and the Independent Shareholders to vote in favour of relevant resolutions in approving the Subscription Agreement and transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
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. SHARE CAPITAL

| | |
|--|---------------------------|
| Authorised share capital | <i>HK\$</i> |
| 25,000,000,000 Shares of HK\$0.004 each | 100,000,000 |
| 1,521,400,000 Convertible preference shares of HK\$0.001 each | <u>1,521,400</u> |
| | <u><u>101,521,400</u></u> |
| Issued as fully paid or credited as fully paid | <i>HK\$</i> |
| 917,288,049 Shares in issue | 3,669,152 |
| Shares to be issued upon the exercise in full of the conversion rights attaching to the Convertible Notes by the Subscriber at the initial Conversion Price | |
| <u>135,135,130</u> Conversion Shares | <u>540,541</u> |
| <u><u>1,052,423,179</u></u> | <u><u>4,209,693</u></u> |

3. DISCLOSURE OF INTERESTS**Directors and chief executive of the Company**

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 position 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

| 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:

- 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 dated 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 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.
- Mr. Zhou is beneficially interested in 44,770,000 Shares, 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 Share |
|--------------------------|------------------|---------------------------|--|----------------|------------------------------|
| 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 a short position 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 | Nature of company in which interests were held | Capacity | Number of shares/amount of registered capital held | Approximate % of the issued share capital |
|---|--|--|---|---|
| Dragon Hill (Notes 1 and 2) | The Company | Beneficial owner | 278,259,613 | 30.34 |
| The Subscriber (Notes 2, 3 and 4) | The Company | Beneficial owner | 682,594,743 (Note 6) | 74.41 |
| Wuling HK (Notes 2, 3 and 4) | The Company | Interest in controlled corporation | 682,594,743 (Note 6) | 74.41 |
| Liuzhou Wuling (Notes 2, 3, 5 and 7) | The Company | Interest in controlled corporation | 682,594,743 (Note 6) | 74.41 |

Notes:

- The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee Shing, a Director and the controlling Shareholder. Accordingly, this parcel of Shares has also been disclosed as a long position of Mr. Lee Shing under the above section.
- Reference is made to the circular of the Company 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 of the Company dated 25 June 2007. A share charge has been created on 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 were 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.
- The entire issued share capital of the Subscriber 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 be interested in the Shares in which the Subscriber is interested under the SFO.
- Two Directors, namely, Messrs. He Shiji and Wei Hongwen, are also directors of the Subscriber and Wuling HK.

5. Three Directors, namely, Messrs. He Shiji, Sun Shaoli and Wei Hongwen, are also executive directors of Liuzhou Wuling.
6. These Shares represent (i) the 274,500,000 Shares beneficially owned by the Subscriber as at the Latest Practicable Date; (ii) the 272,959,613 Shares held as security interest pursuant to note 2 above; and (iii) the 135,135,130 Conversion Shares to be allotted and issued to the Subscriber upon the exercise in full of the conversion rights attaching to the Convertible Notes.
7. As at the Latest Practicable Date, pursuant to the JV Agreements of the aforementioned circular of the Company dated 25 June 2007, Liuzhou Wuling (as beneficial owner) was interested in approximately 49% and 82.88% of the total registered capital and paid up capital of Wuling Industrial respectively.

4. 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.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was 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.

6. SERVICE CONTRACTS

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

7. 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.

8. 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.

9. 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 |
|---------------|---|
| Vinco Capital | a licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

Vinco Capital 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, Vinco Capital 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, Vinco Capital did not have any direct or indirect interest in any asset which had 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.

10. 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 currently situated at Unit 505, 5th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong. With effect from 22 December 2008, the head office and principal place of business of the Company in Hong Kong will be changed to 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, 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 Tricor 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during normal business hours on any weekdays other than public holidays, at: (i) the current office of the Company at Unit 505, 5th Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong between the period from 16 December 2008 to 21 December 2008 (both days inclusive); and (ii) the new office of the Company at 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong between the period from 22 December 2008 to 5 January 2009 (both days inclusive):

- (i) the Subscription Agreement;
- (ii) the written consent of Vinco Capital 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 page 17 of this circular;
- (iv) the letter from Vinco Capital, the text of which is set out on pages 18 to 29 of this circular; and
- (v) the circular of the Company dated 25 June 2007

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 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong at 12:00 noon on Monday, 5 January 2009, for the following purposes:

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

1. “THAT

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 28 November 2008 entered into between the Company and Wuling (Hong Kong) Holdings Limited (“**Wuling HK Holdings**”) (a copy of the Subscription Agreement has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, new shares of the Company (the “**Shares**”) upon the exercise of the conversion rights attaching to the convertible notes (the “**Convertible Notes**”) to be issued by the Company in the aggregate principal amount of HK\$100,000,000 pursuant to the Subscription Agreement, the directors of the Company be and are hereby authorised to do all acts and execute all documents they consider necessary or desirable to give effect to the Subscription Agreement and the transactions contemplated thereunder, including but not limited to (i) the issue of the Convertible Notes pursuant to the Subscription Agreement; and (ii) the allotment and issue to the holder(s) of the Convertible Notes such appropriate number of new Shares upon the due exercise of the conversion rights attaching to the Convertible Notes at the then prevailing conversion price.”

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

As at the date of this notice, the board of directors of the Company 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, 16 December 2008

* For identification purpose only

NOTICE OF SGM

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 16 December 2008 which contains information concerning the resolution to be proposed in this notice.
5. The Resolution to be proposed at the above meeting shall be decided by way of poll.