
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 is for information purpose only and does not constitute an invitation or 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)

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

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



A letter from the Board (as defined herein) is set out on pages 6 to 20 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 21 of this circular. A letter from Guangdong Securities (as defined herein), containing its advice and recommendation to the Independent Board Committee is set out on pages 22 to 32 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 Thursday, 4 March 2010 is set out on pages 41 to 42 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.

8 February 2010

* For identification purpose only

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 21 January 2010 in relation to the Placing and the Subscription
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day, other than a Saturday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours
“Company”	Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司*), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Final Number of Placing Shares”	the number of Placing Shares finally and successfully placed by the Placing Agents under the Placing Agreements
“Final Number of Subscription Shares”	the number of Subscription Shares finally subscribed for by Wuling HK pursuant to the terms of the Subscription Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed, which comprises all independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Yu Xiumin and Mr. Ye Xiang, to consider the terms of the Subscription Agreement and the Placing Agreements, together with the respective transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser” or “Guangdong Securities”	Guangdong Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), 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 Placing and the Subscription
“Independent Shareholders”	Shareholders other than Wuling HK and its associates
“Independent Third Party(ies)”	third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its connected person
“JV Subscription Money”	an aggregate amount of RMB391,000,000 the consideration to be payable by the Company to Wuling Industrial in respect of the Company’s investment in 51% shareholding interest in Wuling Industrial, which is currently a joint venture of the Company and Liuzhou Wuling (details of which were set out in the Company’s circular dated 25 June 2007)
“Latest Practicable Date”	4 February 2010, 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 enterprise established in the PRC
“Outstanding JV Subscription Money”	the outstanding amount of JV Subscription Money due by the Company which amounted to approximately RMB225,860,000 as at the date of this circular
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by a Placing Agent to subscribe for any of the Placing Shares pursuant to the relevant Placing Agent’s obligations under the Placing Agreement entered into by such Placing Agent and the Company
“Placing”	the placing of the Placing Shares by the Placing Agents on a best effort basis pursuant to the Placing Agreements

DEFINITIONS

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

DEFINITIONS

“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
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held at 12:00 noon on Thursday, 4 March 2010 for the purpose of considering and, if thought fit, approving the Placing Agreements, the Subscription Agreement and the respective transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Wuling HK pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 21 January 2010 entered into between the Company and Wuling HK in relation to the Subscription
“Subscription Completion Date”	the third Business Day immediately after the date upon which the last of the Subscription Conditions has been fulfilled (or such other date as may be agreed between the Company and Wuling HK in writing). The Subscription Completion Date shall be on a date which is also the Placing Completion Date
“Subscription Conditions”	the conditions precedent to the Subscription Agreement
“Subscription Price”	HK\$0.85 per Subscription Share

DEFINITIONS

“Subscription Shares”	the new Shares to be subscribed for by Wuling HK pursuant to the Subscription Agreement which shall be determined pursuant to the mechanism set out in the paragraph headed “Number of Subscription Shares” under the section headed “3. The Subscription Agreement” of the letter from the Board contained in this circular, and which shall be up to a maximum of 95,100,000 new Shares based on the maximum number of Placing Shares
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Wuling HK”	五菱(香港)控股有限公司 (Wuling (Hong Kong) Holdings Limited), a company incorporated in Hong Kong with limited liability and a substantial Shareholder which is beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Liuzhou Wuling
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a subsidiary of the Company
“Wuling Motors”	五菱汽車(香港)有限公司 (Wuling Motors (Hong Kong) Company Limited), a company incorporated in Hong Kong with limited liability which is the immediate holding company of Wuling HK and a direct wholly-owned subsidiary of Liuzhou Wuling
“%”	per cent

In this circular, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at HK\$1.14550 = RMB1.00000 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.

* *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. Sun Shaoli (*Chairman*)
Mr. Lee Shing (*Vice-chairman*)
Mr. Wei Hongwen
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Zhou Sheji

Independent non-executive Directors:

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Ye Xiang

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

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

35/F., Morrison Plaza
9 Morrison Hill Road
Wanchai
Hong Kong

8 February 2010

*To the Shareholders, and for information only,
holders of options of the Company and
holders of convertible notes issued by the Company*

Dear Sir or Madam,

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

1. INTRODUCTION

After trading hours on 21 January 2010, the Company announced:

- (a) the entering into of a Placing Agreement by the Company and each Placing Agent, pursuant to which the Placing Agents have conditionally and separately agreed to act as agents for the Company to place, on a best effort basis, up to a total of 220,000,000 new Shares, at the Placing Price; and
- (b) the entering into of the Subscription Agreement by the Company and Wuling HK, pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the Subscription Shares, being a maximum of 95,100,000 Subscription Shares, at the Subscription Price.

* *For identification purpose only*

LETTER FROM THE BOARD

Each of the Placing Agreements and the Subscription Agreement is subject to certain conditions, in particular, approval from Shareholders who are permitted to vote under the Listing Rules on the relevant resolutions. In addition, all of the above agreements are inter-conditional and shall be completed contemporaneously.

As at the Latest Practicable Date, Wuling HK and its associates are beneficially interested in approximately 29.93% of the issued share capital of the Company and therefore is a substantial Shareholder. Accordingly, the entering into of the Subscription Agreement by the Company and Wuling HK, together with the transactions contemplated thereunder, constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Wuling HK and its associates shall abstain from voting at the SGM in respect of the resolutions in relation to the Subscription Agreement.

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

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 Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder and to give relevant recommendation to the Independent Shareholders. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the Placing and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Placing and the Subscription are in the interests of the Company and the Shareholders concerned as a whole.

The purposes of this circular is to provide you with (i) details of the Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from Guangdong Securities; (iv) further information on the Group; and (v) a notice convening the SGM and other information in accordance with the requirements of the Listing Rules.

2. THE PLACING AGREEMENTS

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

Date	21 January 2010 (after trading hours).
Issuer	The Company.

LETTER FROM THE BOARD

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

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

Placees

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

Number of Placing Shares

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

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

LETTER FROM THE BOARD

Ranking of the Placing Shares

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

Placing Price

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

- (i) a discount of approximately 23.42% to the closing price of HK\$1.11 per Share on 20 January 2010, being the last trading day before the date of the Placing Agreement;
- (ii) a discount of approximately 23.42% to the average of the closing prices of the Shares in each of the last five and ten consecutive trading day-period up to and including the 20 January 2010, both being approximately HK\$1.11 per Share; and
- (iii) a discount of approximately 24.78% to the average of the closing prices of the Shares in the last thirty consecutive trading days up to and including 20 January 2010, being approximately HK\$1.13 per Share;
- (iv) a discount of approximately 17.48% to the average of the closing prices of the Shares in the last ninety consecutive trading days up to and including 20 January 2010, being approximately HK\$1.03 per Share;
- (v) a discount of approximately 14.14% to the closing price of HK\$0.99 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 545.41% over the unaudited net asset value of approximately RMB0.115 per Share (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009 (based on the unaudited equity attributable to owners of the Company of approximately RMB105,114,000 as set out in the Company's interim report for the six months ended 30 June 2009 and a total of 917,288,049 Shares in issue as at 30 June 2009).

LETTER FROM THE BOARD

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

The net price per Placing Share amounts to approximately HK\$0.82.

The Placing Conditions

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

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

LETTER FROM THE BOARD

- (f) the obtaining by the Company of all other necessary consents, approvals, authorisations and/or waiver to effect the execution, completion and performance of the obligations and other terms of the Placing Agreements (including but not limited to the allotment and issue of the Placing Shares), if applicable.

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

Completion of the Placing

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

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

3. THE SUBSCRIPTION AGREEMENT

Date	21 January 2010 (after trading hours).
Issuer	The Company.
Subscriber	Wuling HK, a company incorporated in Hong Kong with limited liability and a substantial Shareholder which 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.

LETTER FROM THE BOARD

Number of Subscription Shares

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

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

- A = the Final Number of Subscription Shares to be subscribed by Wuling HK pursuant to the Subscription Agreement;
- B = the total number of Shares held by Wuling HK immediately before completion of the Subscription Agreement; and
- C = the total number of Shares in issue as enlarged by the Final Number of Placing Shares to be allotted and issued under the Placing (without taking into account of the number of the Subscription Shares to be allotted and issued under the Subscription Agreement).

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

Ranking of the Subscription Shares

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

LETTER FROM THE BOARD

Subscription Price

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

- (i) a discount of approximately 23.42% to the closing price of HK\$1.11 per Share on 20 January 2010, being the last trading day before the date of the Subscription Agreement;
- (ii) a discount of approximately 23.42% to the average of the closing prices of the Shares in each of the last five and ten consecutive trading days up to and including 20 January 2010, both being approximately HK\$1.11 per Share;
- (iii) a discount of approximately 24.78% to the average of the closing prices of the Shares in the last thirty consecutive trading days up to and including 20 January 2010, being approximately HK\$1.13 per Share;
- (iv) a discount of approximately 17.48% to the average of the closing prices of the Shares in the last ninety consecutive trading days up to and including 20 January 2010, being approximately HK\$1.03 per Share;
- (v) a discount of approximately 14.14% to the closing price of HK\$0.99 per Share as at the Latest Practicable Date; and
- (vi) a premium of approximately 545.41% over the unaudited net asset value of approximately RMB0.115 per Share (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009 (based on the unaudited equity attributable to owners of the Company of approximately RMB105,114,000 as set out in the Company's interim report for the six months ended 30 June 2009 and a total of 917,288,049 Shares in issue as at 30 June 2009).

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

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

LETTER FROM THE BOARD

The Subscription Conditions

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

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

LETTER FROM THE BOARD

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

Completion of the Subscription

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

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

4. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

LETTER FROM THE BOARD

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

Notes:

1. The entire issued share capital of Dragon Hill Development Limited is beneficially owned by Mr. Lee Shing, an executive Director, chief executive officer and the vice-chairman of the Company.
2. The entire issued share capital of Wuling HK is held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is held by Liuzhou Wuling.
3. Mr. Zhou Sheji, an executive Director, through his controlled corporation, Gao Bao Development Limited, is interested in 44,770,000 Shares.

LETTER FROM THE BOARD

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

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

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

Wuling HK is a company incorporated in Hong Kong with limited liability and a substantial Shareholder which, together with its associates, are beneficially interested in 274,500,000 Shares, representing approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date. Wuling HK is an indirect wholly-owned subsidiary of Liuzhou Wuling. Liuzhou Wuling is a wholly stated-owned limited liability company established in the PRC, with the State-owned Assets Supervisions and Administration Commission of the People’s Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會) being its registered shareholder empowered by the People’s Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Liuzhou Wuling and its subsidiaries are principally engaged in the manufacturing business relating to motor vehicle engines, parts and special mini-vehicles and the provision of other related services.

LETTER FROM THE BOARD

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

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

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

6. FUNDS RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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

LETTER FROM THE BOARD

7. LISTING RULES IMPLICATIONS

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

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

The 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 Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder and to give relevant recommendation to the Independent Shareholders.

Guangdong Securities has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to give advice in relation to the Placing and the Subscription.

8. LISTINGS AND DEALINGS

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

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

LETTER FROM THE BOARD

9. THE SGM

The SGM will be convened at 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong at 12:00 noon, on Thursday, 4 March 2010 to approve the Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder. Wuling HK and its associates will abstain from voting on the approval of the Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder, at the SGM.

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.

Pursuant to Bye-law 69 of the bye-laws of the Company and Rule 13.39(4) of the Listing Rules, all votes at the SGM will be taken by poll. The Company will announce the results of the poll in accordance with the Listing Rules following the SGM.

10. RECOMMENDATION

The Board considers that the terms of the Placing and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned, and the Placing and the Subscription are in the best interests of the Company and the Shareholders concerned as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Placing Agreements, the Subscription Agreement and the respective transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on page 21 of this circular and the letter from Guangdong Securities containing its advice and the principal factors which it has considered in arriving at its advice in relation to the Placing and the Subscription, as set out on pages 22 to 32 of this circular.

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
Vice-Chairman and Chief Executive Officer

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)

8 February 2010

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 8 February 2010 (the “Circular”) of which this letter forms part. Unless specified otherwise, 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 each of the Placing Agreements and the Subscription Agreement as well as on the respective transactions contemplated thereunder, 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 22 to 32 of the Circular.

Having considered the respective terms and conditions of each of the Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder, and the relevant advice and recommendation of Guangdong Securities, we are of the view that the respective terms and conditions of Placing Agreements and the Subscription Agreement, together with the respective transactions contemplated thereunder, are fair and reasonable and in the interests of the Company and the Shareholders concerned as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Placing Agreements, the Subscription Agreement and the respective 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 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 Placing and the Subscription 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

8 February 2010

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

Dear Sirs,

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

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 Placing and the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 February 2010 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.

After trading hours on 21 January 2010, the Company entered into the Placing Agreements with each of the Placing Agents, pursuant to which the Placing Agents have conditionally and separately agreed to act as agents for the Company to place, on a best effort basis, up to a total of 220,000,000 new Shares at the Placing Price of HK\$0.85 per Placing Share.

After trading hours on even date, the Company entered into the Subscription Agreement with Wuling HK, pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the Subscription Shares, being a maximum of 95,100,000 Subscription Shares, at the Subscription Price of HK\$0.85 per Subscription Share.

As at the Latest Practicable Date, Wuling HK was beneficially interested in approximately 29.93% of the issued share capital of the Company and therefore was a substantial Shareholder. Accordingly, the entering into of the Subscription Agreement by Wuling HK, together with the transactions contemplated thereunder, constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Wuling HK and its associates shall abstain from voting at the SGM in respect of the resolution(s) in relation to the Subscription Agreement.

LETTER FROM GUANGDONG SECURITIES

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

An Independent Board Committee comprising Mr. Zuo Duofu, Mr. Yu Xiumin and Mr. Ye Xiang (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Placing Agreements and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Placing Agreements and the Subscription Agreement 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 opinion to the Independent Board Committee and the Independent Shareholders, 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 and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. 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 enquiry and careful consideration. 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 the 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 opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Placing Agents, Wuling HK or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Placing and the Subscription. 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 and fairly presented and reproduced from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Placing and the Subscription, we have taken into consideration the following principal factors and reasons:

(1) Background of the Placing and the Subscription

Business overview of the Group

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

Tabularised below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2009 and the two years ended 31 December 2008 as extracted from the Company's interim report for the six months ended 30 June 2009 (the "2009 Interim Report") and its annual report for the year ended 31 December 2008 (the "2008 Annual Report") respectively:

Consolidated income statement	For the six months ended 30 June 2009 (unaudited) RMB'000	For the year ended 31 December 2008 (audited) RMB'000	For the year ended 31 December 2007 (audited) RMB'000
Revenue	4,813,928	7,111,911	2,856,456
Cost of sales	<u>(4,409,568)</u>	<u>(6,339,666)</u>	<u>(2,591,934)</u>
Gross profit	<u>404,360</u>	<u>772,245</u>	<u>264,522</u>
Profit before taxation	46,993	164,769	97,220
Income tax expense	<u>(17,126)</u>	<u>(27,882)</u>	<u>(22,602)</u>
Profit for the period/year	<u>29,867</u>	<u>136,887</u>	<u>74,618</u>
Profit/(Loss) attributable to equity holders of the Company	<u>(41,440)</u>	<u>32,647</u>	<u>11,147</u>

LETTER FROM GUANGDONG SECURITIES

Consolidated balance sheet	As at 30 June 2009	As at 31 December 2008	As at 31 December 2007
	(unaudited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	7,195,275	5,674,052	4,462,984
Total liabilities	(6,538,906)	(4,966,822)	(3,882,295)
Total bank borrowings	(212,395)	(217,998)	(88,322)
Net assets	656,369	707,230	580,689
Gearing ratio (based on total bank borrowings and net assets)	32.4%	30.8%	15.2%

As depicted by the above table, the revenue of the Group was approximately RMB7,111.91 million for the year ended 31 December 2008, representing an increase of approximately 148.98% as compared to the prior year. The Group also recorded profit attributable to equity holders of the Company of approximately RMB32.65 million for the year ended 31 December 2008, representing an increase of approximately 192.88% as compared to the prior year. We noted from the 2009 Interim Report that the Group made loss for the six months ended 30 June 2009 mainly due to the loss on fair value adjustment of approximately RMB61.44 million relating to the convertible loan notes issued by the Company in January 2009 for the purpose of financing the capital injection to Wuling Industrial.

As for the asset and liability position of the Group, we noted from the above table that the level of gearing increased from approximately 15.2% as at 31 December 2007 to approximately 30.8% as at 31 December 2008, and further expanded to approximately 32.4% as at 30 June 2009. As referred to in the 2008 Annual Report, such increase in the gearing level of the Group was mainly due to increase in bank borrowings as a result of the additional borrowings drawn down for the operation of Wuling Industrial and its subsidiaries.

Based on the information as disclosed in the 2009 Interim Report and as advised by the Directors, the manufacturing and trading of engines, automotive components and specialised vehicles in the PRC, the trading and the supply of raw materials, water and power supply undertaken by Wuling Industrial and its subsidiaries contributed a significant portion to the Group's revenue and operating profits. In view of the increasing demands of the specialised vehicles and the Group's nationwide marketing strategy to promote its products across the PRC, the Group formulated plan to expand its production capacity and establishing a new production plant in Qingdao to facilitate geographical diversification which enables quality services and cost effectiveness.

LETTER FROM GUANGDONG SECURITIES

Reasons for the Placing and the Subscription

We noted from the Board Letter that Wuling Industrial became a non-wholly owned subsidiary of the Company following the subscription of 51% of the enlarged registered capital thereof by the Company in 2007. Pursuant to the terms of the aforesaid agreements, 20% of the JV Subscription Money was paid by the Company in 2007, while the Outstanding JV Subscription Money, being 80% of the JV Subscription Money, was due to be paid by the Company within two years from the date of establishment of Wuling Industrial (i.e. 28 August 2007). The Directors confirmed that as at the Latest Practicable Date, the Company had in aggregate contributed approximately RMB165,140,000 (equivalent to approximately HK\$189,168,000) to Wuling Industrial, representing approximately 30.5% of the total issued share capital of Wuling Industrial, and the Outstanding JV Subscription Money amounted to approximately RMB225,860,000 (equivalent to approximately HK\$258,723,000) in total. The Company shall apply the aggregate net proceeds from the Placing and the Subscription, which amount to a maximum of approximately HK\$260,000,000 in total (approximately HK\$180,000,000 and approximately HK\$80,000,000 from the Placing and the Subscription respectively, based on the price of HK\$0.85 per Share, and the maximum numbers of 220,000,000 Placing Shares and 95,100,000 Subscription Shares), mainly for financing the settlement of the Outstanding JV Subscription Money. Upon payment of the full amount of the Outstanding JV Subscription Money, the percentage of the total issued share capital of Wuling Industrial contributed by the Company will be increased to 51%. According to the 2009 Interim Report, the percentage of the paid up capital contributed by the Company to Wuling Industrial has been used as the basis to calculate the profit or loss of Wuling Industrial attributable to the equity holders of the Company.

In light of the foregoing reasons for the Placing and the Subscription, we consider that the rationale for the Placing and the Subscription is justifiable.

Financing alternative available to the Group

According to the Board Letter, the Company had not conducted any fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

We have enquired into the Directors and were informed by the Directors that the Group has considered various methods, namely debt financing and equity financing, for fund raising. Nevertheless, the Directors confirmed that the Company wishes to control the gearing ratio and the indebtedness of the Group on an appropriate level and prefers not to create additional debt liabilities to the Group (if possible) for financing the settlement of the Outstanding JV Subscription Money. Having this being the case, debt financing is considered to be less preferable for the Group at present.

With regard to equity financing, the Directors advised us that although both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, the Directors were of the view that a placing exercise will broaden not only the capital base of the Company but also its shareholders base. With reference to the Board Letter, the Placing Shares will be placed by the Placing Agents to not less than six Places, who and whose ultimate beneficial owners are Independent Third Parties. In addition, given the relatively longer time frame required, open offer and rights issue are considered to be inappropriate for the Group at present.

LETTER FROM GUANGDONG SECURITIES

Having considered (i) the funding requirement of the Group and the intended use of the net proceeds from the Placing and the Subscription as outlined under the section headed “Reasons for the Placing and the Subscription” above; (ii) the possible benefits of the Placing and the Subscription to the Group in terms of improvement in the gearing level of the Group without future finance cost; and (iii) the Placing and the Subscription being rather suitable and beneficial financing alternatives as regarded by the Group, we consider that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

(2) The Placing Price and the Subscription Price

With reference to the Board Letter, the Subscription Price of HK\$0.85 per Subscription Share equals to the Placing Price. The Placing Price and the Subscription Price (together, the “**Price**”) was determined after arm’s length negotiations between the Company and Wuling HK with references to (i) the prevailing market price of the Shares during the 90-trading day period up to and including the Last Trading Day; (ii) the unaudited condensed consolidated net asset value per Share of approximately RMB0.115 (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009; and (iii) the size of the funds requested to be raised by the Company under the Placing and the Subscription.

The Price represents:

- (a) a discount of approximately 14.14% to the closing price of HK\$0.99 per Share as at the Latest Practicable Date;
- (b) a discount of approximately 23.42% to the closing price of HK\$1.11 per Share on 20 January 2010, being the last trading day before the date of the Placing Agreements and the Subscription Agreement (the “**Last Trading Day**”);
- (c) a discount of approximately 23.42% to the average of the closing prices of the Shares in each of the last five and ten consecutive trading day-period up to and including the Last Trading Day, being approximately HK\$1.11 per Share;
- (d) a discount of approximately 24.78% to the average of the closing prices of the Shares in the last 30 consecutive trading days up to and including the Last Trading Day, being approximately HK\$1.13 per Share;
- (e) a discount of approximately 17.48% to the average of the closing prices of the Shares in the last 90 consecutive trading days up to and including the Last Trading Day, being approximately HK\$1.03 per Share; and
- (f) a premium of approximately 545.41% over the unaudited condensed consolidated net asset value per Share of approximately RMB0.115 (equivalent to approximately HK\$0.1317 per Share) as at 30 June 2009 (based on the unaudited condensed consolidated equity attributable to owners of the Company of approximately RMB105,114,000 as at 30 June 2009 and 917,288,049 Shares in issue as at 30 June 2009).

LETTER FROM GUANGDONG SECURITIES

To assess the fairness and reasonableness of the Price, we set out the following informative analyses for illustrative purpose:

Review on Share price performance

The following table shows the highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 1 January 2009 up to and including the Last Trading Day (the “**Review Period**”):

Month	Highest closing price <i>HK\$</i>	Lowest closing price <i>HK\$</i>	Average daily closing price <i>HK\$</i>
2009			
January	0.540	0.485	0.513
February	0.550	0.480	0.509
March	0.480	0.380	0.421
April	0.720	0.450	0.566
May	0.750	0.650	0.694
June	1.090	0.780	0.851
July	1.370	0.950	1.095
August	0.950	0.770	0.879
September	0.970	0.820	0.893
October	1.000	0.810	0.864
November	1.400	0.940	1.117
December	1.300	1.010	1.160
2010			
January (up to and including the Last Trading Day)	1.180	1.070	1.122

Source: the Stock Exchange web-site (www.hkex.com.hk)

As shown by the above table, the closing prices of the Shares ranged from the lowest of HK\$0.380 on 20 March 2009 and 23 March 2009 to the highest of HK\$1.400 on 11 November 2009 during the Review Period. The Price is within the said range of the closing prices of the Shares during the Review Period. After reaching the highest closing price during the Review Period, the price of the Shares fluctuated and closed at the level of HK\$1.110 on the Last Trading Day.

LETTER FROM GUANGDONG SECURITIES

Review on trading liquidity of the Shares

The number of trading days and the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day during the Review Period are tabulated as below:

Month	No. of trading days	Average daily trading volume (the "Average Volume") <i>Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Last Trading Day <i>(Note 2)</i> %
2009				
January	18	2,077,944	0.61	0.23
February	20	185,000	0.05	0.02
March	22	848,682	0.25	0.09
April	20	582,625	0.17	0.06
May	19	418,000	0.12	0.05
June	22	228,409	0.07	0.02
July	22	1,316,784	0.39	0.14
August	21	311,643	0.09	0.03
September	22	143,409	0.04	0.02
October	20	254,625	0.08	0.03
November	21	1,976,774	0.58	0.22
December	22	1,428,682	0.42	0.16
2010				
January (up to and including the Last Trading Day)	13	2,709,231	0.80	0.30

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Based on 338,058,436 Shares held in public hands as at the Last Trading Day.
2. Based on 917,288,049 Shares in issue as at the Last Trading Day.

From the above table, we noted that trading in the Shares had been thin during the Review Period. The Shares' monthly average daily trading volume was below 1% of the total number of issued Shares held by the public as at the Last Trading Day. Given the above, we are of the

LETTER FROM GUANGDONG SECURITIES

view that trading in the Shares had been historically inactive and the Shares were hence rather illiquid and it is also justifiable for the Price to be set at a discount to the historical closing prices of the Shares.

Comparison with other placing and subscription exercises

To further evaluate the fairness and reasonableness of the Price, we have identified, to the best of our knowledge and as far as we are aware of, 11 recent transactions of companies listed on the Stock Exchange which involved placing and subscription of shares under specific mandate from 21 December 2009 up to the date of the Announcement (the “**Comparables**”), being the one-month period prior to the date of the Announcement. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into their businesses and operations. The Comparables are hence only being used to provide a general reference for the common market practice of companies listed on the Stock Exchange in recent transactions which involved placing and subscription of shares under specific mandate. The table below summarises our relevant findings:

Date of announcement	Company name	Stock code	Discount of the issue price to closing price per share on the last trading day prior to/on the date of announcement/ agreement (%)	Net proceeds (HK\$' million)
21 December 2009	Emperor Entertainment Group Ltd.	8078	(19.10)	37.25
29 December 2009	Ming Hing Waterworks Holdings Ltd.	402	(83.56)	Up to 474
4 January 2010	China Star Entertainment Ltd.	326	(21.35)	75.40
13 January 2010	Inno-Tech Holdings Ltd.	8202	(17.24)	21.62
15 January 2010	ZMAY Holdings Ltd.	8085	(59.35)	Up to 194.75
15 January 2010	China Grand Pharmaceutical and Healthcare Holdings Ltd.	512	(33.80)	86.50
19 January 2010	New Times Energy Corporation Ltd.	166	(10.10)	221.36
19 January 2010	New Times Energy Corporation Ltd.	166	(10.10)	99.90
19 January 2010	ThinSoft (Holdings) Inc.	8096	(10.56)	123.68
21 January 2010	Bestway International Holdings Ltd.	718	(41.18)	Up to 292.30
21 January 2010	TC Interconnect Holdings Ltd.	515	(18.75)	59.40
Minimum			(83.56)	474.00
Maximum			(10.10)	21.62
Average			(29.55)	153.29
21 January 2010	The Company	305	(23.42)	260.00

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM GUANGDONG SECURITIES

As shown by the above table, the issue prices of the Comparables ranged from a discount of approximately 10.10% to a discount of approximately 83.56% to the respective closing prices of their shares on the last trading days prior to/on the date of announcement/agreement in relation to the respective placing and subscription of shares. The Price which represents a discount of approximately 23.42% to the closing price of the Shares on the Last Trading Day hence falls within the said market range and is lower than the average of the Comparables. From the above table, we further noted that the issue prices of the majority Comparables were set at discounts to their last trading day's share prices.

Judging from the above market comparable analysis, we consider that the level of discount of the Price is acceptable and is in line with market practice.

(3) Dilution effect on the shareholding interests of the existing public Shareholders

As at the Latest Practicable Date, the Company had a total of 917,288,049 Shares in issue. The maximum number of the Placing Shares and the maximum number of the Subscription Shares in aggregate of 315,100,000 Shares thus represent (i) approximately 34.35% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 25.57% of the issued share capital of the Company as enlarged by the aggregate maximum numbers of the Placing Shares and the Subscription Shares.

According to the Board Letter, as at the Latest Practicable Date, there were a total of 338,058,436 Shares held by the existing public Shareholders, representing approximately 36.85% of the total issued share capital of the Company. Upon completion of the Placing and the Subscription, the shareholding interests of the existing public Shareholders would be diluted to approximately 27.43%. Nevertheless, in view of the possible benefits of the Placing and the Subscription to the Company, including as aforementioned (i) the intended use of the net proceeds from the Placing and the Subscription to meet the funding requirement of the Group; (ii) the possible improvement in the gearing level of the Group without future finance cost; and (iii) the Placing and the Subscription being rather suitable and beneficial financing alternatives as regarded by the Group, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

For details of the effects of the Placing and the Subscription on the shareholding structure of the Company, please refer to the section headed "Changes in the shareholding structure of the Company" of the Board Letter.

(4) Financial effects of the Placing and the Subscription

Effect on net asset value

As at 30 June 2009, the unaudited condensed consolidated net asset value of the Group was approximately RMB656.37 million (equivalent to approximately HK\$751.87 million). As confirmed by the Directors, the Placing and the Subscription would increase the net asset value of the Group.

LETTER FROM GUANGDONG SECURITIES

Effect on earnings

As advised by the Directors, the Placing and the Subscription will not have immediate material impact on the total earnings of the Group. Nevertheless, since the net proceeds from the Placing and the Subscription will be used to settle the Outstanding JV Subscription Money and thus the percentage of the paid up capital contributed by the Company to Wuling Industrial will increase, and the profit attributable to owners of the Company and the earnings per Share are expected to rise despite the enlargement of the total issued share capital of the Company.

Effect on gearing

As at 30 June 2009, the Group's gearing level (based on the Group's total bank borrowings and the Group's net assets) was approximately 32.4%. Since the net asset value of the Group is expected to increase while the total bank borrowings of the Group would remain unchanged as a result of the Placing and the Subscription, the Directors expected that the Placing and the Subscription would improve the Group's gearing position.

Effect on working capital

The Directors expected that the Placing and the Subscription would increase the working capital of the Group upon completion of the Placing and the Subscription.

Having taken into account the foregoing positive financial effects of the Placing and the Subscription on the Group, we are of the opinion that the Placing and the Subscription are in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Placing and the Subscription.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Placing Agreements and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Placing and the Subscription 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 Placing Agreements and the Subscription Agreement 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 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 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 were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 ("Mr. Lee")	Interest in controlled corporation (<i>Note 1</i>)	259,959,613	28.34%
Mr. Zhou Sheji ("Mr. Zhou")	Interest in controlled corporation (<i>Note 2</i>)	44,770,000	4.88%

Notes:

- (1) The 259,959,613 Shares are owned by Dragon Hill Development Limited ("Dragon Hill"), a company wholly-owned by Mr. Lee. Reference is made to the circular of the Company issued on 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 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. With effect from 2 November 2009 and pursuant to the consent letters issued by Liuzhou Wuling, the number of Charged Shares has been reduced to 254,659,613 Shares.

- (2) 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 granted by the Company on 29 December 2009 pursuant to the Company's share option scheme:

Name of Director/ associate	Capacity	Number of options granted	Exercise period	Price of grant	Subscription price per Share
Mr. Lee	Beneficial Owner	900,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		900,000	From 21 January 2011 to 31 December 2013		
		1,800,000			
Ms. Kwan To Yin (Spouse of Mr. Lee)	Beneficial Owner	350,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		350,000	From 21 January 2011 to 31 December 2013		
		700,000			
Mr. Sun Shaoli	Beneficial Owner	900,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		900,000	From 21 January 2011 to 31 December 2013		
		1,800,000			
Mr. Wei Hongwen	Beneficial Owner	800,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		800,000	From 21 January 2011 to 31 December 2013		
		1,600,000			

Name of Director	Capacity	Number of options granted	Exercise period	Price of grant	Subscription price per Share
Mr. Zhong Xianhua	Beneficial Owner	700,000	From 21 January 2010 to 31 December 2012 From 21 January 2011 to 31 December 2013	HK\$1	HK\$1.07
		700,000			
		1,400,000			
Ms. Liu Yaling	Beneficial Owner	800,000	From 21 January 2010 to 31 December 2012 From 21 January 2011 to 31 December 2013	HK\$1	HK\$1.07
		800,000			
		1,600,000			
Mr. Zhou Sheji	Beneficial Owner	700,000	From 21 January 2010 to 31 December 2012 From 21 January 2011 to 31 December 2013	HK\$1	HK\$1.07
		700,000			
		1,400,000			
Mr. Yu Xiumin	Beneficial Owner	600,000	From 21 January 2010 to 31 December 2012 From 21 January 2011 to 31 December 2013	HK\$1	HK\$1.07
		600,000			
		1,200,000			
Mr. Zuo Duofu	Beneficial Owner	600,000	From 21 January 2010 to 31 December 2012 From 21 January 2011 to 31 December 2013	HK\$1	HK\$1.07
		600,000			
		1,200,000			
Mr. Ye Xiang	Beneficial Owner	600,000	From 21 January 2010 to 31 December 2012 From 21 January 2011 to 31 December 2013	HK\$1	HK\$1.07
		600,000			
		1,200,000			

Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors and chief executives 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	Name of the company in which interests or short positions were held	Capacity	Nature of interest	Number of Shares held	Approximate % of the issued share capital/ registered capital
Dragon Hill (Notes 1 and 2)	The Company	Beneficial Owner	Corporate	259,959,613	28.34%
Wuling HK (Notes 2, 3 and 4)	The Company	Beneficial Owner	Corporate	274,500,000	29.93%
			Unlisted derivatives	135,135,130	14.73%
			Securities interest in shares	254,659,613	27.76%
			New shares to be issued	95,100,000	10.37%
			Sub-total	759,394,743	82.79%
Wuling Motors (Notes 2, 3 and 4)	The Company	Interest in Controlled Corporation	Corporate	759,394,743	82.79%
Liuzhou Wuling (Notes 2, 3, 4 and 5)	The Company	Interest in Controlled Corporation	Corporate	759,394,743	82.79%
Liuzhou Wuling (Note 5)	Wuling Industrial	Beneficial Owner	Corporate	-	49%

Notes:

- (1) The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee, a director and the controlling Shareholder. Accordingly, this parcel of shares of the Company has also been disclosed as long position of Mr. Lee under the above section.

- (2) Reference is made to the circular of the Company issued on 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 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 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. With effect from 2 November 2009 and pursuant to the consent letters issued by Liuzhou Wuling, the number of Charged Shares has been reduced to 254,659,613 Shares.
- (3) The entire issued share capital of Wuling HK is held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is held by Liuzhou Wuling. Accordingly, Wuling Motors and Liuzhou Wuling are deemed to have an interests in the Shares in which Wuling HK is interested under the SFO.
- (4) The long positions held by the Wuling HK include: (i) the 274,500,000 Shares beneficially owned by Wuling HK as at the Latest Practicable Date; (ii) the 254,659,613 Shares held as security interest pursuant to Note 2 above; (iii) the 135,135,130 Shares issuable to Wuling HK upon exercise in full of the conversion rights attached to the convertible notes issued by the Company to Wuling HK on 12 January 2009 according to a subscription agreement dated 28 November 2008, details of which have been fully disclosed in the circular of the Company dated 16 December 2008; and (iv) the 95,100,000 new Shares to be issued to Wuling HK pursuant to the Subscription Agreement, details of which have been fully disclosed in this circular.
- (5) 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 69.48% of the total registered capital and paid up capital of Wuling Industrial respectively.

3. COMPETING INTEREST

Mr. Lee, the vice-chairman and chief executive officer of the Company, is a director of and a substantial shareholder of Shandong Jun Shan Automobile Company Limited (山東俊山汽車有限公司) (“Shandong JS”), a company formed in October 2009 in the PRC with principal business scopes of the design, trading and manufacturing of automotive components, engines, and other mould and tool parts. Since its formation and up to the Latest Practicable Date, Shandong JS has not yet commenced operation and it is expected that its operation will not commence in the near future. There may be a possibility that the business of Shandong JS will compete with that of the Group in the future when Shandong JS commences operation.

The Directors are satisfied that the Group functions independently of and on arm’s lengths basis from Shandong JS on the basis that the majority of the executive Directors, the senior management and operations of the Group are independent of those of Shandong JS. Other than the common director, Mr. Lee, there is no overlap of management personnel for the operations within the Group and Shandong JS. In addition, Mr. Lee also confirmed that he will abstain from voting in the relevant board of directors’ meeting if there is any potential conflict of interests.

Save as disclosed above, 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 was no material adverse change in the financial or trading prospect of the Group since 31 December 2008, 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 did not expire or was 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 ARRANGEMENT 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 2008 (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 Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate financial) and type 9 (asset management) regulated activities as defined 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 references to its name included in this circular in the form and context in which they respectively 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 2008 (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 35th Floor, Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong.
- (ii) The company secretary 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at 35/F., Morrison Plaza, 9 Morrison Hill Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays between the period from 8 February 2010 to 4 March 2010 (both days inclusive):

- (i) the Placing Agreements and the Subscription Agreement;
- (ii) the letter from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (iii) the letter from Guangdong Securities, the text of which is set out on pages 22 to 32 of this circular;
- (iv) the written consent of Guangdong Securities referred to under the section headed “Qualification, consent and interest of expert” in this appendix;
- (v) the Joint Venture Capital Increase and Subscription Agreement dated 15 May 2007 entered into by Liuzhou Wuling and the Company in relation to the increase in the registered capital of Wuling Industrial and the subscription for 51% of the enlarged registered capital of Wuling Industrial by the Company;
- (vi) the Joint Venture Set-up Agreement dated 15 May 2007 entered into by Liuzhou Wuling and the Company in relation to the establishment of the joint venture by converting Wuling Industrial into a sino-foreign joint venture (“Joint Venture”); and
- (vii) the articles of association adopted by Wuling Industrial upon it has become the Joint Venture.

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 Thursday, 4 March 2010, for the following purposes:

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

“**THAT**

- (A) the execution of (i) the placing agreement dated 21 January 2010 (the “**SBI-E2 Placing Agreement**”) between the Company and SBI-E2 Capital Securities Limited (“**SBI-E2**”) (a copy of which has been produced to the meeting and marked “A” and signed for the purpose of identification by the Chairman of the meeting); and (ii) the placing agreement dated 21 January 2010 (together with the SBI-E2 Placing Agreement, the “**Placing Agreements**”) between the Company and Celestial Securities Limited (together with SBI-E2, the “**Placing Agents**”) (a copy of which has been produced to the meeting and marked “B” and signed for the purpose of identification by the Chairman of the meeting), in relation to the placing by the Placing Agents of up to a total of 220,000,000 new shares of the Company (the “**Placing Shares**”) at HK\$0.85 per Placing Share be and are hereby confirmed, approved and ratified;
- (B) the execution of the subscription agreement dated 21 January 2010 (the “**Subscription Agreement**”) between the Company and Wuling (Hong Kong) Holdings Limited (“**Wuling HK**”) (a copy of which has been produced to the meeting and marked “C” and signed for the purpose of identification by the Chairman of the meeting) in relation to the subscription by Wuling HK of up to a total of 95,100,000 new shares of the Company (the “**Subscription Shares**”) at HK\$0.85 per Subscription Share, be and is hereby confirmed, approved and ratified;
- (C) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting to the Company the listing of and permission to deal in the Placed Shares (as defined in the Placing Agreements), the creation and issue by the Company of the Placed Shares (as defined in the Placing Agreements) to the placees procured by the Placing Agents in accordance with the terms and conditions of each of the Placing Agreements be and is hereby approved;

* For identification purpose only

NOTICE OF SGM

- (D) subject to the Listing Committee of the Stock Exchange granting to the Company the listing of and permission to deal in the Subscription Shares, the creation and issue by the Company of the Subscription Shares to Wuling HK in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved; and
- (E) all transactions contemplated under each of the Placing Agreements and the Subscription Agreement be and are hereby approved and the directors of the Company be and are hereby authorised to sign or execute such other documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary or desirable for the purposes of giving effect to each of the Placing Agreements and the Subscription Agreement.”

By Order of the Board
Dragon Hill Wuling Automobile Holdings Limited
Lee Shing
Vice-Chairman and Chief Executive Officer

Hong Kong, 8 February 2010

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

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 8 February 2010 which contains information concerning the resolution to be proposed in this notice.
5. The Ordinary Resolution to be proposed at the meeting shall be decided by way of poll.