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**Dragon Hill Wuling Automobile Holdings Limited**  
**(俊山五菱汽車集團有限公司\*)**

*(Incorporated in Bermuda with limited liability) (Stock Code: 305)*

- (I) PROPOSED OPEN OFFER OF NOT LESS THAN 167,229,341 OFFER SHARES ON THE BASIS OF 1 OFFER SHARE FOR EVERY 6 SHARES HELD ON THE RECORD DATE;**  
**(II) APPLICATION FOR WHITEWASH WAIVER;**  
**AND**  
**(III) RESUMPTION OF TRADING**

**Underwriter**  
**Wuling (Hong Kong) Holdings Limited**

**Financial Adviser**



時富融資有限公司  
Celestial Capital Limited

**PROPOSED OPEN OFFER AND THE UNDERWRITING ARRANGEMENT**

The Company proposed to carry out the Open Offer on the basis of 1 Offer Share for every 6 Shares held on the Record Date. The Open Offer involves the issue of not less than 167,229,341 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) but not more than 177,774,341 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming all Non-Concert Party Held Options are exercised before the Record Date) at a price of HK\$0.90 per Offer Share. The Open Offer is only available to the Qualifying Shareholders. There is no arrangement for application of the Offer Shares by Qualifying Shareholders in excess of their proportionate assured allotment under the Open Offer.

The Underwriter and Dragon Hill have given the Irrevocable Undertakings, pursuant to which (i) the Underwriter has undertaken to subscribe for 50,048,000 Offer Shares, being all of the Offer Shares to be allotted on an assured basis to the Underwriter under the Open Offer; and (ii) Dragon Hill has undertaken to subscribe for 21,663,301 Offer Shares, being 50% of the Dragon Hill Assured Entitlement under the Open Offer. All Offer Shares (other than those which have been irrevocably undertaken to be subscribed by the Underwriter and Dragon Hill under the Irrevocable Undertakings) have been fully underwritten by the Underwriter pursuant to the Underwriting Agreement. Principal terms and conditions of the Underwriting Agreement are summarised below.

The gross proceeds and the net proceeds of the Open Offer will amount to approximately HK\$150,500,000 and approximately HK\$147,300,000 respectively (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date). The Company intends to apply the net proceeds from the Open Offer as to 80% to finance the business and operations of the Wuling Industrial Group and as to 20% as general working capital of the Group.

#### **IMPLICATION UNDER THE TAKEOVERS CODE AND WHITEWASH WAIVER**

At present, the Underwriter, Liuzhou Wuling (being the ultimate holding company of the Underwriter) and parties acting in concert with them (including Dragon Hill) in aggregate hold a total of 560,247,613 Shares, representing approximately 55.84% of the issued share capital of the Company. With respect to the shareholding interest of the Underwriter in the Company, (i) the Underwriter currently holds a total of 300,288,000 Shares, representing approximately 29.93% of the existing issued share capital of the Company as at the date of this announcement; and (ii) in the event there shall be any Offer Shares not taken up by the Qualifying Shareholders, the Underwriter shall subscribe for such untaken Offer Shares pursuant to the Underwriting Agreement, and the Underwriter may then hold 30% or more of the issued share capital of the Company immediately after completion of the Open Offer. Accordingly, the underwriting of the Offer Shares by the Underwriter will trigger an obligation on the Underwriter, together with parties acting in concert with it, to make a mandatory offer under Rule 26 of the Takeovers Code for all the issued securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it. An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not become unconditional and will not proceed.

#### **IMPLICATION UNDER THE LISTING RULES**

Pursuant to Rule 7.26A(2) of the Listing Rules, since no excess application for the Offer Shares is available and the Open Offer is fully underwritten by a substantial Shareholder, specific approval must be obtained from the Independent Shareholders in respect of the absence of excess application arrangement. Shareholders who have a material interest in the arrangement (namely, the Underwriter, Liuzhou Wuling (being the ultimate holding company of the Underwriter), Dragon Hill, their respective associates and parties acting in concert with any of them) shall abstain from voting at the SGM.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**The Open Offer is conditional upon, among other things, (i) the fulfilment of the conditions set out below under the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “Underwriting Arrangement” in this announcement, and (ii) the Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the paragraph headed “Termination of the Underwriting Agreement” under the section headed “Underwriting Arrangement” in this announcement). Accordingly, the Open Offer may or may not proceed.**

**Any Shareholders and other persons contemplating buying or selling Shares from the date of this announcement up to the date on which all conditions of the Open Offer are fulfilled (which is expected to be on 4:00 p.m. on 10 March 2011) will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.**

### **GENERAL**

The Board will appoint the Independent Financial Adviser to the Independent Board Committee (which will be formed and will comprise all independent non-executive Directors, namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang) and the Independent Shareholders to advise on the terms and conditions of the Open Offer and the Whitewash Waiver, and to make a recommendation (i) as to whether the Whitewash Waiver is fair and reasonable and (ii) as to voting of the resolution to approve the Whitewash Waiver. Announcement will be made by the Company upon appointment of the Independent Financial Adviser.

A circular containing, among other matters, (i) details of the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out its recommendations in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter from the Independent Financial Adviser setting out its advice in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; and (iv) notice of the SGM will be despatched by the Company to the Shareholders as soon as practicable in accordance with the requirements of the Takeovers Code and the Listing Rules.

Subject to, among other things, the Open Offer and the Whitewash Waiver being approved by the Independent Shareholders at the SGM, the Company will, on or before 21 February 2011, send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) (if, to the extent legally and practically permissible) the Overseas Letter and the Prospectus to the Excluded Shareholders for information purpose only.

## SUSPENSION AND RESUMPTION IN TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 am on 30 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 am on 5 January 2011.

On 29 December 2010, the Company and the Underwriter entered into the Underwriting Agreement (as amended and supplemented by a supplemental agreement dated 4 January 2011) in relation to the underwriting and certain other arrangements regarding the proposed Open Offer.

### PROPOSED OPEN OFFER

#### Issue statistics

Basis of the Open Offer	:	1 Offer Share for every 6 Shares held on the Record Date (rounded down to the nearest one). No Offer Share will be offered to the Excluded Shareholders, and no fractional entitlement will be allotted or issued to the Shareholders under the Open Offer but will be aggregated and underwritten by the Underwriter
Subscription Price	:	HK\$0.90 per Offer Share, payable in full upon acceptance of the assured allotment of the Offer Shares
Number of Shares in issue as at the date of this announcement ( <i>Note (a)</i> )	:	1,003,376,049 Shares
Maximum number of Shares issuable on or before the Record Date (after taking into account the CN Holder Undertaking, the Option Undertaking and the exercise in full of Non-Concert Party Held Options) ( <i>Notes (b) and (c)</i> )	:	63,270,000 Shares

#### Notes:

- (a) As at the date of this announcement, there are (i) a total of 1,003,376,049 Shares in issue; (ii) outstanding Existing Convertible Notes with an aggregate principal amount of HK\$100,000,000; and (iii) Options carrying subscription rights to subscribe for an aggregate of 76,820,000 Shares.
- (b) The Existing Convertible Notes are currently held by the Underwriter which has irrevocably undertaken that it will not transfer or otherwise dispose of the Existing Convertible Notes nor exercise any conversion rights attached to the Existing Convertible Notes on or before the Record Date (i.e. the CN Holder Undertaking). Therefore, no Offer Share shall be issued as a result of conversion of any part of the Existing Convertible Notes.

- (c) Among all Options carrying rights to subscribe for a total of 76,820,000 Shares,
- (i) Options carrying subscription rights to subscribe for a total of 37,370,000 Shares are exercisable up to the expiry date on 31 December 2012, and Options carrying subscription rights to subscribe for a total of 39,450,000 Shares are exercisable during the period starting from 30 December 2010 or 21 January 2011 to the expiry date on 31 December 2013;
  - (ii) Options carrying subscription rights to subscribe for a total of 13,550,000 Shares are held by parties acting in concert with the Underwriter, whereupon pursuant to the Option Undertaking, the Underwriter will procure such parties acting in concert with it not to exercise any rights under the Options to subscribe for any Shares on or before the Record Date. The Non-Concert Party Held Options carrying subscription rights to subscribe for a total of 63,270,000 Shares;
  - (iii) as the Record Date is tentatively fixed on 18 February 2011, a maximum of 10,545,000 Offer Shares may be issued resulting from the exercise in full of all Non-Concert Party Held Options on or before the Record Date.

Number of Offer Shares : Not less than 167,229,341 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more than 177,774,341 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date)

Number of Offer Shares to be subscribed by the Underwriter under the Irrevocable Undertaking 1 : 50,048,000 Offer Shares, being all of the Offer Shares to be allotted on an assured basis to the Underwriter, based on the 300,288,000 Shares held by the Underwriter as at the date of this announcement and as at the Record Date (the Underwriter has undertaken not to dispose of or transfer any of such 300,288,000 Shares nor exercise any conversion rights attached to the Existing Convertible Notes on or before the Record Date)

Number of Offer Shares to be subscribed by Dragon Hill under the Irrevocable Undertaking 2 : 21,663,301 Offer Shares, being 50% of the Dragon Hill Assured Entitlement, based on the 259,959,613 Shares held by Dragon Hill as at the date of this announcement and as at the Record Date (Dragon Hill has undertaken not to dispose of or transfer any of such 259,959,613 Shares on or before the Record Date)

- Maximum number of Offer Shares underwritten by the Underwriter : All Offer Shares (other than those which have been irrevocably undertaken to be subscribed by the Underwriter and Dragon Hill under the Irrevocable Undertakings), being not less than 95,518,040 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more than 106,063,040 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date), including Offer Shares created by the aggregation of fractional entitlements which will not be allotted or issued to the Shareholders under the Open Offer
- Number of Shares in issue immediately upon completion of the Open Offer : Not less than 1,170,605,390 Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more than 1,244,420,390 Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date)

As at the date of this announcement, save for the Existing Convertible Notes and the Options, there are no outstanding derivatives, options, warrants or other convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

Pursuant to the Underwriting Agreement, the Company has undertaken that it shall not, without the prior written consent of the Underwriter, issue or repurchase any Share or issue or grant any options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the Offer Shares and the Shares to be allotted and issued upon the exercise of the subscription rights attached to the Options (if any) from 29 December 2010, being the date of the Underwriting Agreement, until the next date immediately after the Latest Time for Termination. In addition, the Underwriter, being holder of the Existing Convertible Notes, has given the CN Holder Undertaking and the Option Undertaking.

Based on (i) the CN Holder Undertaking given by the Underwriter as holder of the Existing Convertible Notes, as well as the Option Undertaking, (ii) the assumption that the Non-Concert Party Held Options will not be exercised to subscribe for Shares from the date of this announcement up to the Record Date, (iii) the assumption that there is no change to the number of issued Shares from the date of this announcement up to the Record Date; and (iv) the assumption that the Open Offer is completed, an aggregate of 167,229,341 Offer Shares would be allotted and issued under the Open Offer, representing approximately 16.67% of the existing issued share capital of the Company as at the date of this announcement and approximately 14.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately upon completion of the Open Offer. The aggregate nominal value of such Offer Shares is approximately HK\$668,917.

## Subscription Price

The Subscription Price of HK\$0.90 per Offer Share shall be payable in cash in full upon acceptance of the assured allotment under the Open Offer by the Qualifying Shareholders. The Subscription Price represents:

- (i) a discount of approximately 2.17% to the closing price of HK\$0.92 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.23% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.93 per Share;
- (iii) a discount of approximately 6.25% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.96 per Share;
- (iv) a discount of approximately 2.17% to the theoretical ex-entitlement price of approximately HK\$0.92 per Share based on the closing price of HK\$0.92 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a premium of approximately 500.00% over the audited net asset value per Share of RMB0.13 (equivalent to approximately HK\$0.15) based on the audited equity attributable to equity holders of the Company of RMB126,087,000 (equivalent to approximately HK\$148,959,000) as at 31 December 2009 and a total of 1,003,376,049 Shares in issue as at the date of this announcement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to (i) the prevailing market conditions (including but not limited to the prevailing market prices of the Shares); and (ii) the needs of the Group to raise equity funding in order to finance its business developments (details of which are set out in the section headed "Reasons for the Open Offer and the use of proceeds" in this announcement). The Open Offer offers an opportunity for all Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth of the Group by subscribing the Offer Shares allotted to them on an assured basis under the Open Offer. In addition, the terms of the Open Offer, and the related underwriting arrangement under the Underwriting Agreement together with the terms thereof (in particular no underwriting commission is charged by the Underwriter) will minimise the cost, effort and risk to be involved by the Company in its fund raising activities. In view of the above, the Directors (other than the independent non-executive Directors who will express their view in the circular to be issued by the Company after having received advice from the Independent Financial Adviser in respect of the Open Offer and the Whitewash Waiver) consider that the respective terms of the Open Offer and the Underwriting Agreement (including the Subscription Price) are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole to raise capital through the Open Offer.

The net price (after deduction of all related costs and expenses) per Offer Share upon full acceptance of the relevant assured allotment of the Offer Shares will be approximately HK\$0.88.

### **Qualifying Shareholders**

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) if, to the extent legally and practically permissible, the Overseas Letter and the Prospectus to the Excluded Shareholders for information purpose only.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificate(s)) with the Registrar by 4:30 pm on 16 February 2011. The last day of dealings in Shares on a cum-rights basis will therefore be 14 February 2011. The Shares will be dealt with on an ex-rights basis from 15 February 2011.

### **Excluded Shareholders**

If there are any Shareholders whose registered addresses (as shown in the register of members of the Company on the Record Date) are outside Hong Kong (i.e. the Overseas Shareholders) at the close of business on the Record Date, such Overseas Shareholders may or may not be eligible to take part in the Open Offer.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries with the Company's legal advisers ("Enquiries") regarding the feasibility of extending the Open Offer to the Overseas Shareholders by taking into consideration the applicable securities legislation of the relevant places of residence of the Overseas Shareholders as well as the requirements of the relevant regulatory body or stock exchange in such places in respect of the issue of Offer Shares to the Overseas Shareholders.

If, after making the Enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place of residence of an Overseas Shareholder or any applicable requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholder, the Open Offer will not be extended to such Overseas Shareholder who will become an Excluded Shareholder. The results of the Enquiries and the basis of any exclusion of the Excluded Shareholders will be included in the Overseas Letter, the circular and/or the Prospectus. The Offer Shares which would otherwise be allotted to the Excluded Shareholders will be taken up by the Underwriter or its nominees.

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and will be sent to the Excluded Shareholders for their information only, if and to the extent legally and practically permissible. However, as long as the Excluded Shareholders are Independent Shareholders, they are entitled to vote on all resolutions at the SGM.



## **Fractions of the Offer Shares**

Fractional entitlements to the Offer Shares, if any, will not be allotted or issued to the Shareholders under the Open Offer, but will be aggregated and underwritten by the Underwriter.

## **Odd lot arrangement**

There will be no odd lots arrangement in relation to and as a result of the Open Offer.

## **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu in all respects with the Shares in issue on the date of allotment of the Offer Shares. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares will be subject to payment of stamp duty in Hong Kong and any other applicable fees and charges in Hong Kong.

## **No transfer of nil-paid entitlements**

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

## **No application for excess Offer Shares**

There is no arrangement for application of the Offer Shares by Qualifying Shareholders in excess of their proportionate assured allotment under the Open Offer. Each Qualifying Shareholder will be entitled to the Open Offer on equal and fair basis by subscribing the Offer Shares in proportion to its shareholding in the Company as at the Record Date. The Company considers that it is not cost-effective to set up arrangement in relation to application for excess Offer Shares as additional effort and costs will be incurred by the Company to administer the relevant excess application procedures.

Any Offer Share not subscribed by the Qualifying Shareholders will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement. In compliance with Rule 7.26A(2) of the Listing Rules, the absence of excess application arrangement and the alternative arrangement for the disposal of the Offer Shares not being subscribed must be specifically approved by the Independent Shareholders at the SGM.

## **Share certificates for the Offer Shares**

Subject to the fulfilment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by ordinary mail to subscribers (or their nominees) of the Offer Shares who have validly accepted and subscribed for, and paid for the Offer Shares on or before 11 March 2011 at the own risk of such subscribers (or their nominees).

## **Closure of register of members**

The Company's register of members will be closed from 17 February 2011 to 18 February 2011 (both dates inclusive) for the purpose of establishing entitlements to the Open Offer. No transfer of Shares will be registered during this period.

## **Application for listing**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange, and no such listing or permission to deal is proposed to be sought from any other stock exchange.

Subject to the grant of listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **Conditions of the Open Offer**

The Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

## **UNDERWRITING ARRANGEMENT**

### **Underwriting Agreement**

Date : 29 December 2010 as amended and supplemented by a supplemental agreement dated 4 January 2011

Underwriter : Wuling (Hong Kong) Holdings Limited, which is a substantial Shareholder and whose ordinary course of business does not include underwriting

- Maximum number of Offer Shares underwritten by the Underwriter : All Offer Shares (other than those which have been irrevocably undertaken to be subscribed by the Underwriter and Dragon Hill under the Irrevocable Undertakings), being not less than 95,518,040 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more than 106,063,040 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date), including Offer Shares created by the aggregation of fractional entitlements which will not be allotted or issued to the Shareholders under the Open Offer. Having taken into account the Irrevocable Undertakings, the Open Offer is fully underwritten
- Underwriting commission : The Underwriter will not receive any underwriting commission. The Company will reimburse the Underwriter for all reasonable costs and expenses incurred by it in connection with the Underwriting Agreement

### **Conditions of the Underwriting Agreement**

The Underwriting Agreement is conditional upon the following conditions being fulfilled:

- (a) the Company despatching the Circular to the Shareholders containing, among other matters, details of the Open Offer and the Whitewash Waiver together with proxy form and notice of the SGM;
- (b) the passing by the Independent Shareholders at the SGM of resolutions approving, among others, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Offer Shares, as well as the Whitewash Waiver;
- (c) the Executive granting the Whitewash Waiver waiving any obligation on the part of the Underwriter and parties acting in concert with it to make a general offer for all the securities of the Company not already owned by it or agreed to be acquired by it upon completion of the Underwriting Agreement;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution(s) of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (f) the Listing Committee of the Stock Exchange granting and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings as stated in the Prospectus;
- (g) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof; and
- (h) compliance with and performance of the Irrevocable Undertaking 2, all the undertakings and obligations of the Company and the Underwriter under the Underwriting Agreement.

None of the conditions precedent above can be waived. If any of the conditions precedent is not fulfilled by the time and/or date specified therein or if no such time and/or date is specified, the Latest Time for Termination, the Underwriting Agreement shall terminate and no party thereto shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Open Offer will not proceed.

### **Termination of the Underwriting Agreement**

Under the Underwriting Agreement, the Underwriter shall be entitled by serving notice in writing to the Company to terminate the Underwriting Agreement at any time prior to the Latest Time for Termination if:

- (a) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (2) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement, of a political, financial, economic, currency market or other nature (whether or not ejusdem generic with any of the foregoing) or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market which would, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (3) any change, effect or development that is or is reasonably likely to be, individually or in the aggregate with other changes, effects or developments, materially adverse to: (i) the business, assets, condition (financial or otherwise), operating results, operations or business prospects of the Group taken as a whole; or (ii) the ability of the Company to consummate the transactions contemplated under the Underwriting Agreement (excluding any such adverse change, effect or development which has been cured); or
  - (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the business of the Group taken as a whole and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (c) the circular or the Prospectus Documents in connection with the Open Offer when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which, in the reasonable opinion of the Underwriter, is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to apply for its assured entitlements of Offer Shares under the Open Offer; or
  - (d) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement of a material nature which would materially and adversely affect the success of the Open Offer.

If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional on or before the Latest Time for Termination (or such other time and/or date as the Company and the Underwriter may agree in writing), the Underwriting Agreement shall terminate and the Open Offer will not proceed, and both parties shall be released and discharged from their respective obligations under the Underwriting Agreement save for any antecedent breaches.

## **Respective irrevocable undertakings from the Company, the Underwriter and Dragon Hill**

Pursuant to the Underwriting Agreement and the Irrevocable Undertaking 1,

- (i) the Underwriter has irrevocably undertaken that it shall not dispose of or transfer any of the 300,288,000 Shares held by it as at the date of this announcement on or before the date the Underwriting Agreement has become unconditional, and that it shall subscribe for 50,048,000 Offer Shares, being all of the Offer Shares to be allotted to it on an assured basis based on the 300,288,000 Shares held by it as at the date of this announcement (i.e. the Irrevocable Undertaking 1). In addition, the Underwriter has undertaken that it will not transfer or otherwise dispose of the Existing Convertible Notes currently held by it nor exercise any conversion rights attached to the Existing Convertible Notes on or before the Record Date (i.e. the CN Holder Undertaking). Furthermore, the Underwriter has undertaken it will procure all parties acting in concert with it who are holders of the Options not to exercise any subscription rights attached to the Options to subscribe for any Shares on or before the Record Date (i.e. the Option Undertaking); and
- (ii) the Company has undertaken that it shall not, without the prior written consent of the Underwriter, from 29 December 2010, being the date of the Underwriting Agreement, until the next day immediately after the Latest Time for Termination, issue or repurchase any Shares or issue or grant any options or other securities which may be convertible into or exchangeable for or carry rights to acquire Shares (other than the Offer Shares and the Shares falling to be issued upon exercise of the subscription rights attached to the Options).

Pursuant to the Irrevocable Undertaking 2, Dragon Hill, another substantial Shareholder holding 259,959,613 Shares as at the date of this announcement, has irrevocably undertaken that (a) it would accept the assured allotment of 21,663,301 Offer Shares to be allotted to it, being 50% of the Dragon Hill Assured Entitlement (while the remaining 50% of the Dragon Hill Assured Entitlement is fully underwritten by the Underwriter pursuant to the Underwriting Agreement; as at the date of this announcement, Dragon Hill has not determined whether to take up such remaining 50%, and if it does not take up the remaining 50% of the Dragon Hill Assured Entitlement, the relevant Offer Shares, being 21,663,301 Offer Shares, shall be taken up by the Underwriter pursuant to the Underwriting Agreement); and (b) it shall not dispose of or transfer any of 259,959,613 Shares held by it as at the date of this announcement until the Record Date.

## **ADJUSTMENTS IN RELATION TO THE OPTIONS AND EXISTING CONVERTIBLE NOTES**

Adjustments (“Relevant Adjustments”) to: (i) the exercise price and number of the Shares to be subscribed under the Options, and (ii) the conversion price and the number of Shares issuable upon exercise of the conversion rights attached to the Existing Convertible Notes may be required under the relevant terms of the instrument constituting the share option scheme of the Company adopted on 11 June 2002 and the Existing Convertible Notes respectively. Further announcement will be made by the Company in due course.

The Relevant Adjustments, if any, will not have any impact on the Open Offer and the number of Offer Shares to be issued and allotted under the Open Offer as (i) any adjustments to the exercise price and number of Shares to be subscribed under the Options will take place upon completion of the Open Offer; and (ii) pursuant to the CN Holder Undertaking, no conversion rights attached to the Existing Convertible Notes will be exercised on or before the Record Date.

## **WARNING OF THE RISK OF DEALING IN THE SHARES**

**The Open Offer is conditional upon, among other things, (i) the fulfilment of the conditions set out under the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “Underwriting Arrangement” in this announcement, and (ii) the Underwriting Agreement not being terminated in accordance with its terms thereof (a summary of which is set out under the paragraph headed “Termination of the Underwriting Agreement” under the section headed “Underwriting Arrangement” in this announcement). Accordingly, the Open Offer may or may not proceed.**

**Any Shareholders and other persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled (which is expected to be on 4:00 pm on 10 March 2011) bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in doubt about their position, they should consult their professional advisers.**

## SHAREHOLDING STRUCTURE OF THE COMPANY

After taking into account the Irrevocable Undertakings, the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before completion of the Open Offer, the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Open Offer is set out below:

	As at the date of this announcement		Immediately after completion of the Open Offer (after taking into account the Irrevocable Undertakings (Note 1) and assuming all other Qualifying Shareholders take up their entitlements under the Open Offer)		Immediately after completion of the Open Offer (after taking into account the Irrevocable Undertakings (Note 1) and assuming no other Qualifying Shareholders take up their entitlements under the Open Offer)	
	No. of Shares	Approximate %	No. of Share	Approximate %	No. of Shares	Approximate %
The Underwriter and parties acting in concert with it:						
The Underwriter (Notes 2 and 4)	300,288,000	29.93	371,999,301	31.78	445,854,040	38.09
Dragon Hill (Notes 3 and 4)	259,959,613	25.91	281,622,914	24.06	281,622,914	24.06
Sub-total	560,247,613	55.84	653,622,215	55.84	727,476,954	62.15
Mr. Zhou Sheji and associates (Note 5)	44,770,000	4.46	52,231,666	4.46	44,770,000	3.82
Directors of a subsidiary of the Company	220,000	0.02	256,667	0.02	220,000	0.02
Public	398,138,436	39.68	464,494,842	39.68	398,138,436	34.01
Total	<u>1,003,376,049</u>	<u>100.00</u>	<u>1,170,605,390</u>	<u>100.00</u>	<u>1,170,605,390</u>	<u>100.00</u>

### Notes:

- Pursuant to the Irrevocable Undertaking 2, Dragon Hill has irrevocably undertaken to subscribe for 21,663,301 Offer Shares, being 50% of the Dragon Hill Assured Entitlement. As at the date of this announcement, Dragon Hill has not determined whether to take up the remaining 50% of Dragon Hill Assured Entitlement or not. If Dragon Hill does not take up the remaining 50% of Dragon Hill Assured Entitlement, the relevant Offer Shares, being 21,663,301 Offer Shares, shall be taken up by the Underwriter pursuant to the Underwriting Agreement.



2. The entire issued share capital of the Underwriter is held by Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”), and the entire issued share capital of Wuling Motors is held by Liuzhou Wuling.
3. The entire issued share capital of Dragon Hill is beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company.
4. Under the Takeovers Code, the Underwriter and Dragon Hill (together with its sole beneficial owner, Mr. Lee Shing) are presumed to be acting in concert.
5. Mr. Zhou Sheji, an executive Director, through Gao Bao Development Limited which is wholly and beneficially owned by Mr. Zhou, is interested in 44,770,000 Shares.

After taking into account the Irrevocable Undertakings, the CN Holder Undertaking, the Option Undertaking and assuming that all Non-Concert Party Held Options which carry subscription rights to subscribe for a total of 63,270,000 Shares are exercised in full on or before the Record Date, the shareholding structure of the Company as at the Record Date and immediately after completion of the Open Offer is set out below:

	As at the Record Date (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming that all Non-Concert Party Held Options are exercised in full on or before the Record Date)		Immediately after completion of the Open Offer (after taking into account the Irrevocable Undertakings (Note 1) and assuming all other Qualifying Shareholders take up their entitlements under the Open Offer)		Immediately after completion of the Open Offer (after taking into account the Irrevocable Undertakings (Note 1) and assuming no other Qualifying Shareholders take up their entitlements under the Open Offer)	
	No. of Shares	Approximate %	No. of Share	Approximate %	No. of Shares	Approximate %
The Underwriter and parties acting in concert with it:						
The Underwriter (Notes 2 and 4)	300,288,000	28.15	371,999,301	29.89	456,399,040	36.68
Dragon Hill (Notes 3 and 4)	259,959,613	24.37	281,622,914	22.63	281,622,914	22.63
Sub-total	560,247,613	52.52	653,622,215	52.52	738,021,954	59.31
Mr. Zhou Sheji and associates (Note 5)	46,170,000	4.33	53,865,000	4.33	46,170,000	3.71
Directors of a subsidiary of the Company	220,000	0.02	256,667	0.02	220,000	0.02
All other holders of Options (Note 6)	61,870,000	5.80	72,181,666	5.80	61,870,000	4.97
Public	398,138,436	37.33	464,494,842	37.33	398,138,436	31.99
Total	<u>1,066,646,049</u>	<u>100.00</u>	<u>1,244,420,390</u>	<u>100.00</u>	<u>1,244,420,390</u>	<u>100.00</u>

*Notes:*

1. Pursuant to the Irrevocable Undertaking 2, Dragon Hill has irrevocably undertaken to subscribe for 21,663,301 Offer Shares, being 50% of the Dragon Hill Assured Entitlement. As at the date of this announcement, Dragon Hill has not determined whether to take up the remaining 50% of Dragon Hill Assured Entitlement or not. If Dragon Hill does not take up the remaining 50% of Dragon Hill Assured Entitlement, the relevant Offer Shares, being 21,663,301 Offer Shares, shall be taken up by the Underwriter pursuant to the Underwriting Agreement.
2. The entire issued share capital of the Underwriter is held by Wuling Motors, and the entire issued share capital of Wuling Motors is held by Liuzhou Wuling.
3. The entire issued share capital of Dragon Hill is beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company.
4. Under the Takeovers Code, the Underwriter and Dragon Hill (together with its sole beneficial owner, Mr. Lee Shing) are presumed to be acting in concert.
5.
  - (a) Mr. Zhou Sheji, an executive Director, through Gao Bao Development Limited which is wholly and beneficially owned by Mr. Zhou, is interested in 44,770,000 Shares.
  - (b) As at the date of this announcement, Mr. Zhou Sheji held Options which carry subscription rights to subscribe for a total of 1,400,000 Shares.
6. As at the date of this announcement, certain other Directors (not including those Directors who are acting in concert with the Underwriter and Mr. Zhou Sheji (whose interests in the Shares and the Options are disclosed hereabove separately)), employees and advisors of the Group who are not parties acting in concert with the Underwriter held the Non-Concert Party Held Options which carry subscription rights to subscribe for a total of 61,870,000 Shares.

Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only and the actual change in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors including, among other things, the results of acceptance of the Open Offer.

Further announcement(s) will be made by the Company in accordance with the Listing Rules following the conclusion of the SGM and completion of the Open Offer.

## **INFORMATION ON THE UNDERWRITER**

The Underwriter is a company incorporated in Hong Kong with limited liability and a substantial Shareholder whose ordinary course of business does not include underwriting. As at the date of this announcement, the Underwriter is a substantial Shareholder holding 300,288,000 Shares, representing approximately 29.93% of the total number of Shares in issue as at the date of this announcement. In addition, the Underwriter also holds the Existing Convertible Notes issued by the Company in the principal amount of HK\$100 million which are convertible into a total of 136,986,300 Shares, representing approximately 13.65% of the total issued Shares as at the date of this announcement and approximately 12.01% of the total issued Shares as enlarged by the issue of Shares upon exercise in

full of the Existing Convertible Notes, during the four-year period commencing from 12 January 2010 at the existing conversion price of HK\$0.73 per Share.

## **DEALINGS IN THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT**

There had been no acquisition of voting rights of the Company by the Underwriter, Liuzhou Wuling (being the ultimate holding company of the Underwriter), Dragon Hill and parties acting in concert with any of them for the six-month period immediately prior to the date of this announcement.

As at the date of this announcement, other than (i) 300,288,000 Shares, representing approximately 29.93% of the issued share capital of the Company held by the Underwriter; (ii) the Existing Convertible Notes held by the Underwriter; (iii) 259,959,613 Shares, representing approximately 25.91% of the issued share capital of the Company held by Dragon Hill; and (iv) certain Options carrying subscription rights to subscribe for a total of 13,550,000 Shares which are held by Mr. Sun Shaoli (who is a director of the Underwriter as well as an executive Director and the Chairman of the Company), Mr. Wei Hongwen (who is a director of the Underwriter and an executive Director), Mr. Zhong Xianhua (who is a senior management of the Underwriter and an executive Director), five other individuals who hold directorships and/or senior management posts in the Underwriter and/or its holding companies, and Mr. Lee Shing (who is (i) an executive Director, the Vice-chairman and the Chief Executive Officer of the Company, and (ii) the ultimate beneficial owner of Dragon Hill, a substantial Shareholder) and his spouse:

- (i) the Underwriter and the parties acting in concert with it did not hold any other Shares, convertible securities, warrants or options of the Company or any outstanding derivative in respect of relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Underwriter or the Company which might be material to the Open Offer, save for the Underwriting Agreement, the Irrevocable Undertakings, the CN Holder Undertaking, the Option Undertaking and the Whitewash Waiver;
- (iii) there was no agreement or arrangement to which the Underwriter is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Underwriting Agreement and the Whitewash Waiver, other than those set out in the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “Underwriting Arrangement” in this announcement;
- (iv) the Underwriter and the parties acting in concert with it did not receive any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Open Offer or the Underwriting Agreement or the Whitewash Waiver; and
- (v) the Underwriter and the parties acting in concert with it did not borrow or lend any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in the Company.

## **IMPLICATION UNDER THE TAKEOVERS CODE AND WHITEWASH WAIVER**

Pursuant to the Underwriting Agreement, the Underwriter has irrevocably undertaken to subscribe for 50,048,000 Offer Shares, being the Underwriter's assured entitlement under the Open Offer based on a total of 300,288,000 Shares held by it as at the date of this announcement, and has agreed to fully underwrite the balance of the Offer Shares (not including 21,663,301 Offer Shares to be allotted to Dragon Hill on an assured basis (being 50% of the Dragon Hill Assured Entitlement, whereupon Dragon Hill has undertaken to subscribe those 21,663,301 Offer Shares under the Irrevocable Undertaking 2) which are not subscribed by the Qualifying Shareholders (including any Offer Shares which are not undertaken to be subscribed by Dragon Hill pursuant to the Irrevocable Undertaking 2 (being the remaining 50% of the Dragon Hill Assured Entitlement) and are not subscribed by Dragon Hill under the Open Offer).

If upon completion of the Open Offer and after taking into account the Irrevocable Undertakings from the Underwriter and Dragon Hill respectively, no other Qualifying Shareholder take up any Offer Shares, the Underwriter will be required to take up (i) 95,518,040 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date); or (ii) 106,063,040 Offer Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date) pursuant to the Underwriting Agreement. At present, the Underwriter, Liuzhou Wuling (being the ultimate holding company of the Underwriter) and parties acting in concert with them (including Dragon Hill) hold a total of 560,247,613 Shares, representing approximately 55.84% of the issued share capital of the Company as at the date of this announcement. With respect to the shareholding interest of the Underwriter in the Company, (i) the Underwriter currently holds a total of 300,288,000 Shares, representing approximately 29.93% of the existing issued share capital of the Company as at the date of this announcement, and (ii) the underwriting arrangement may result in the shareholding interest of the Underwriter in the Company being increased to:

- (i) (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) 445,854,040 Shares, representing approximately 38.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after the completion of the Open Offer; and
- (ii) (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date) 456,399,040 Shares, representing approximately 36.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after the completion of the Open Offer.

Accordingly, the underwriting of the Offer Shares by the Underwriter will trigger an obligation on the Underwriter, together with parties acting in concert with it, to make a mandatory offer under Rule 26 of the Takeovers Code for all the issued securities of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. Accordingly, the Underwriter (which currently holds approximately 29.93% shareholding interest in the Company), Liuzhou Wuling, Dragon Hill (which currently holds approximately 25.91% shareholding interest in the Company), their respective associates and parties acting in concert with any of them, shall abstain from voting on the resolution(s) to approve the Whitewash Waiver at the SGM. Completion of the Open Offer is conditional upon, among other things, the grant of the Whitewash Waiver by the Executive. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not become unconditional and will not proceed.

The Underwriter, Liuzhou Wuling, Dragon Hill, their respective associates and parties acting in concert with any of them, and Shareholders who are interested in or involved in the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolutions at the SGM.

## **IMPLICATION UNDER THE LISTING RULES**

As no excess application for the Offer Shares is available under the Open Offer and the Open Offer is underwritten by a substantial Shareholder, pursuant to Rule 7.26A(2) of the Listing Rules, specific approval shall be obtained from the Independent Shareholders in respect of the absence of such excess application arrangement. Accordingly, the entering into of the Underwriting Agreement between the Company and the Underwriter, which is a substantial Shareholder, also constitutes a connected transaction for the Company under the Listing Rules. Shareholders who have a material interest in the matter (namely, the Underwriter, its associates and parties acting in concert with any of them) shall abstain from voting. The Underwriter, which currently holds approximately 29.93% shareholding interest in the Company, together with its associates and parties acting in concert with any of them, shall abstain from voting on the resolution(s) to approve the Open Offer and the Underwriting Agreement at the SGM.

## **REASONS FOR THE OPEN OFFER AND THE USE OF PROCEEDS**

The Company, through its 51% owned subsidiary, Wuling Industrial, 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.

On 30 July 2010, the Company announced the acquisition by Wuling Industrial in Qingdao of certain properties, comprising one factory complex (including supporting facilities and annex) and three pieces of land with an aggregate area of 112,477.9 square metres and certain assets, comprising production facilities and machinery for the production of automotive components (“Qingdao Acquisition”) and the entering into of the relevant agreements (“Acquisition Agreements”) by the Company and the vendors. On 31 December 2010, the Company announced that supplemental agreement has been entered into by the parties to the Acquisition Agreements for the purpose of extending the long stop date thereof from 31 December 2010 to 30 July 2011. As the land under the Qingdao Acquisition has not been fully

built up and has close proximity to the existing production facilities of a key customer and the existing factory of the Wuling Industrial Group in Qingdao, Wuling Industrial has intended to further develop the land for its planned capacity expansion programmes commencing from year 2011 onwards upon completion of the Qingdao Acquisition (“Post Acquisition Expansion Programmes”).

The Post Acquisition Expansion Programmes to be undertaken by the Wuling Industrial Group are targeted at the increasing demands from the existing customers as well as certain new customers for its automotive components near the Qingdao region. It is planned that upon full completion of the Post Acquisition Expansion Programmes in or about mid-2013, the annual production capacity of the automotive component division of the Wuling Industrial Group will increase by 30% and reach 1,300,000 sets/units a year. Based on current estimations, the Post Acquisition Expansion Programmes shall have a funding requirement for planned capital expenditures of approximately RMB340 million (equivalent to approximately HK\$401,676,000).

Wuling Industrial has proposed to finance the Post Acquisition Expansion Programmes by way of the following:

- (1) proposed increase in the registered and paid up capital of Wuling Industrial; and
- (2) internal resources of the Wuling Industrial Group in respect of any balance.

In order to maintain its 51% shareholding interests in Wuling Industrial, the Company will be required to inject proportionally (i.e. 51%) an additional registered capital proposed to be increased by Wuling Industrial (“WI Capital Increase Injection”).

The Wuling Industrial Group has achieved impressive growth in revenue in its Qingdao factory since its commencement of operation in 2008 resulting from the substantial increase in demands of a key customer. As the Directors expect the demands from this key customer and other new customers will continue to grow in the coming years, it is essential for Wuling Industrial to undertake active capacity expansion programmes in Qingdao. The Directors considers the Post Acquisition Expansion Programmes will be beneficial to the Group as it will enable the Group (through Wuling Industrial Group) to have sufficient capacity in meeting the increasing demands from customers in the coming years, as well as to achieve an optimal scale of operation in promoting efficiency and profitability. The Directors also consider that to participate in the WI Capital Increase Injection will ensure the Company maintains its shareholdings and thus preserve the value of the Company’s investment in Wuling Industrial without incurring an immediate dilution.

The Directors believe that raising long-term equity capital through the Open Offer to finance WI Capital Increase Injection is in the best interests of the Company and the Shareholders as a whole after consideration of various means of fund raising before resolving to the Open Offer, including but not limited to placing, borrowings, debt securities, rights issue. In view of the substantial amount of the WI Capital Increase Injection, borrowings or issuance of debt securities would result in the Company being subject to interest burden or additional debt; while placing would only be available to certain places who are not necessarily the Shareholders. Although rights issue is similar to an open offer

except that it enables the Shareholders to trade in nil-paid rights, trading arrangements are needed to be set up with the share registrar at the expense of the Company and extra administrative work from the Company would be involved under a rights issue. Therefore, raising funds by way of the Open Offer is more cost effective and efficient as compared to rights issue. The Directors consider that the Open Offer will enable all Shareholders to participate in the future development of the Company on equal terms, the net proceeds from the Open Offer would strengthen the capital base of the Company and provide greater financial flexibility for the Company.

The gross proceeds and the net proceeds from the Open Offer amounted to approximately HK\$150,500,000 and approximately HK\$147,300,000 respectively (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming that the Non-Concert Party Held Options are not exercised on or before the Record Date). The Company intends to apply 80% of the net proceeds which amounts to approximately HK\$117,840,000 from the Open Offer to finance the business and operations of the Wuling Industrial Group and the remaining 20% of the net proceeds which amounts to approximately HK\$29,460,000 as general working capital of the Group.

The WI Capital Increase Injection, if participated by the Company, will constitute a connected transaction for the Company. As at the date of this announcement, details of the WI Capital Increase Injection, including the amounts required thereunder, have not yet been determined and finalised. The Company will reassess the transaction of WI Capital Increase Injection when it takes place and comply with Chapter 14A of the Listing Rules on a timely basis.

## **EXPECTED TIMETABLE FOR THE OPEN OFFER**

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled.

Dates or deadlines specified in this announcement for events in the timetable below are indicative only and may be extended or varied. Any consequential changes to the anticipated timetable will be announced by the Company as and when appropriate.

**2011**

*Hong Kong time*

Despatch of circular containing notice and proxy form of the SGM . . . . .	25 January (Tuesday)
Last day of dealings in Shares on cum-entitlements basis . . . . .	14 February (Monday)
First day of dealing in Shares on ex-entitlements basis . . . . .	15 February (Tuesday)
Latest time for lodging transfers of Shares in order to qualify for the Open Offer . . . . .	4:30 pm on 16 February (Wednesday)

Latest day for return of proxy form for the SGM .....	16 February (Wednesday)
Register of members of the Company closes (both days inclusive).....	17 February (Thursday) to 18 February (Friday)
Record Date .....	18 February (Friday)
SGM.....	18 February (Friday)
Poll results announcement of the SGM .....	18 February (Friday)
Register of members of the Company reopens.....	21 February (Monday)
Despatch of the Prospectus Documents and the Overseas Letter.....	21 February (Monday)
Final Acceptance Time and latest time for the payment for Offer Shares .....	4:00 pm on 7 March (Monday)
Latest time for the Open Offer to become unconditional.....	4:00 pm on 10 March (Thursday)
Announcement of results of acceptance of the Open Offer .....	11 March (Friday)
Despatch of share certificates for Offer Shares .....	11 March (Friday)
Commencement of dealings in Offer Shares .....	15 March (Tuesday)



## FUND-RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

The table below sets out the Company's fund raising activities in the past twelve months. Save for those fund raising activities, the Company had not conducted any other fund raising activities in the past twelve months immediately prior to the date of this announcement.

<b>Date of announcement</b>	<b>Details of the fund raising activities</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
22 January 2010 and 12 March 2010	Placing of new Shares and subscription for new Shares under specific mandate	HK\$67.8 million	To finance part of the settlement of the outstanding amount of the Company's investment in 51% shareholding interest in Wuling Industrial due by the Company (details of which were set out in the circular of the Company dated 25 June 2007)	Injected into Wuling Industrial in accordance with the intended use
1 November 2010	Issue of new Shares upon exercise of Options by two directors of a subsidiary and other employees of the Group	HK\$2.2 million	As general working capital of the Group	As general working capital of the Group

## SGM

The SGM will be held to consider and, if thought fit, passing the necessary resolutions to approve the Open Offer, the Underwriting Agreement, the Whitewash Waiver and respective transactions contemplated thereunder.

The Underwriter, Liuzhou Wuling (being the ultimate holding company of the Underwriter), Dragon Hill, their respective associates and parties acting in concert with any of them, and Shareholders who are interested in or involved in the Open Offer (save for any assured entitlement to the Open Offer as a Qualifying Shareholder), the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolutions at the SGM by way of poll.

## **GENERAL**

The Board will appoint the Independent Financial Adviser to the Independent Board Committee (which will be formed and will comprise all independent non-executive Directors, namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang) and the Independent Shareholders to give advice on the terms and conditions of the Open Offer and the Whitewash Waiver, and to make a recommendation (i) as to whether the Whitewash Waiver is, or is not, fair and reasonable and (ii) as to voting of the resolution to approve the Whitewash Waiver. Announcement will be made by the Company upon appointment of the Independent Financial Adviser.

A circular containing, among other matters, (i) details of the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendations in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter from the Independent Financial Adviser setting out their advice in relation to the Open Offer, the Underwriting Agreement and the Whitewash Waiver; and (iv) notice of the SGM will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Takeovers Code and the Listing Rules.

Subject to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver being approved by the Independent Shareholders at the SGM, the Company will send (i) the Prospectus Documents setting out the details of the Open Offer and the Underwriting Agreement to the Qualifying Shareholders, and (ii) (if, to the extent legally and practically permissible) the Overseas Letter and the Prospectus Documents to the Excluded Shareholders on or before 21 February 2011 for information purpose only.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 am on 30 December 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 am on 5 January 2011.

## **DEFINITIONS**

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Application Form”	the application form to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
“associate(s)”	has the same meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CN Holder Undertaking”	undertaking from the Underwriter pursuant to the Underwriting Agreement that it will not transfer or otherwise dispose of the Existing Convertible Notes currently held by it nor exercise any conversion rights attached to the Existing Convertible Notes on or before the Record Date
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Dragon Hill Wuling Automobile Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dragon Hill”	Dragon Hill Development Limited, a company incorporated in Samoa with limited liability, a substantial Shareholder which is currently beneficially interested in approximately 25.91% of the issued share capital of the Company. It is solely and beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company
“Dragon Hill Assured Entitlement”	being the assured allotment to Dragon Hill of 43,326,602 Offer Shares under the Open Offer, based on the 259,959,613 Shares held by Dragon Hill as at the date of this announcement and as at the Record Date (Dragon Hill has undertaken not to dispose of or transfer any of such 259,959,613 Shares on or before the Record Date)

“Excluded Shareholder(s)”	the Overseas Shareholder(s), in the opinion of the Directors that it is necessary or expedient to exclude such Overseas Shareholder(s) from the Open Offer on account either of the legal restrictions under the laws or the requirements of the relevant regulatory body or stock exchange in such places
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Future Commission of Hong Kong or any delegate of the Executive Director
“Existing Convertible Notes”	the convertible notes in an aggregate principal amount of HK\$100,000,000 issued by the Company to the Underwriter pursuant to an subscription agreement dated 28 November 2008, details of which are set out in the Company’s circular dated 16 December 2008
“Final Acceptance Time”	4:00 pm on 7 March 2011 or such later time and/or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of allotments of the Offer Shares on an assured basis
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang, all being independent non-executive Directors) to be formed to advise the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Independent Shareholders”	the Shareholders who are not involved or interested in the Open Offer (save for any assured entitlement to the Open Offer as the Qualifying Shareholders), Underwriting Agreement and the Whitewash Waiver, which do not include the Underwriter, Liuzhou Wuling (being the ultimate holding company of the Underwriter), Dragon Hill, their respective associates and parties acting in concert with any of them

“Irrevocable Undertaking 1”	an irrevocable undertaking given by the Underwriter in favour of the Company to, among other things, subscribe for all of the Offer Shares as will be allotted and issued to it as its assured entitlement under the Open Offer
“Irrevocable Undertaking 2”	an irrevocable undertaking given by Dragon Hill in favour of the Company to, among other things, subscribe for 50% of the Dragon Hill Assured Entitlement under the Open Offer
“Irrevocable Undertakings”	Irrevocable Undertaking 1 and Irrevocable Undertaking 2
“Last Trading Day”	29 December 2010, being the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of this announcement
“Latest Time for Termination”	the latest time for the Underwriter to terminate the Underwriter Agreement, being 4:00 p.m. on the third Business Day after Final Acceptance Time or such later time and/or date as may be agreed between the Company and the Underwriter
“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
“Non-Concert Party Held Options”	all outstanding Options other than those held by parties acting in concert with the Underwriter
“Offer Shares(s)”	not less than 167,229,341 new Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more than 177,774,341 new Shares (after taking into account the CN Holder Undertaking, the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date) to be issued by the Company pursuant to the Open Offer

“Open Offer”	the proposed issue of Offer Shares by the Company on the basis of 1 Offer Share for every 6 Shares to the Qualifying Shareholders held on the Record Date at the Subscription Price, which is subject to the terms and conditions stipulated in the Underwriting Agreement, in particular, the conditions precedent as detailed in the paragraph headed “Conditions of the Underwriting Agreement” under the section headed “Underwriting Arrangement” in this announcement
“Option Undertaking”	undertaking from the Underwriter pursuant to the Underwriting Agreement that it will procure all parties acting in concert with it who are holders of the Options not to exercise any rights attached to the Options to subscribe for any Shares on or before the Record Date
“Options”	the outstanding options granted by the Company to subscribe for an aggregate of 76,820,000 Shares as at the date of this announcement pursuant to the share option scheme adopted by the Company which was approved by the Shareholders on 11 June 2002, amongst which (i) Options carrying subscription rights to subscribe for a total of 37,370,000 Shares are currently exercisable up to the expiry date on 31 December 2012; and (ii) Options carrying subscription rights to subscribe for a total of 39,450,000 Shares will be exercisable during the period starting from 30 December 2010 or 21 January 2011 to the expiry date on 31 December 2013
“Overseas Letter”	the letter in respect of the exclusion of the Excluded Shareholders from the Open Offer in such form as may be agreed between the Company and the Underwriter
“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) (as shown in the register of members of the Company on the Record Date) are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Prospectus”	the prospectus to be issued by the Company for despatch to the Qualifying Shareholders in relation to the Open Offer, and if, to the extent legally and practically permissible, for despatch to the Excluded Shareholders for information purpose only
“Prospectus Documents”	the Prospectus and the Application Form

“Prospectus Posting Date”	21 February 2011 or such later date as may be agreed between the Company and the Underwriter for the despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	18 February 2011 or such other date as may be agreed between the Company and the Underwriter, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar of Company which is situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“SGM”	the special general meeting of the Company to be convened and held on 18 February 2011 at which resolution(s) will be proposed to consider and, if thought fit, approve the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“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 Price”	the subscription price of HK\$0.90 per Offer Share
“substantial Shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	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 date of this announcement. It is an indirect wholly-owned subsidiary of Liuzhou Wuling
“Underwriting Agreement”	the conditional underwriting agreement dated 29 December 2010 entered into between the Company and the Underwriter in relation to the Open Offer as amended and supplemented by a supplemental agreement dated 4 January 2011

“Whitewash Waiver”	a waiver from the Executive pursuant to note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Underwriter and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Underwriter or parties acting in concert with it which would otherwise arise as a result of the Underwriter being required to perform its underwriting commitment under the Underwriting Agreement
“Wuling Industrial”	柳州五菱汽車工業有限公司(Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

*In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at HK\$1.1814 = RMB1.0000 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.*

By order of the Board  
**Sun Shaoli**  
 Chairman

Hong Kong, 4 January 2011

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

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

\* For identification purpose only