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

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

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

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

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS –
GL TRADING TRANSACTIONS AND
GB TRADING TRANSACTIONS**

**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 4 to 12 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 13 of this circular. A letter from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders (as defined herein), containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening the SGM (as defined herein) to be held at Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong, on Thursday, 10 March 2011 at 12:00 noon is set out on pages 33 to 34 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.

21 February 2011

* 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:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Company”	Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司*), a company incorporated in Bermuda with limited liability and the Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GB Purchase Transactions”	purchases of passenger mini-buses by the Wuling Industrial Group from Guilin Bus which are regarded as continuing connected transactions under the Listing Rules
“GB Sale Transactions”	sale of parts and raw materials by the Wuling Industrial Group to Guilin Bus which are regarded as continuing connected transactions under the Listing Rules
“GB Trading Agreement”	the agreement dated 15 October 2008 entered into between Wuling Industrial and Guilin Bus in relation to the GB Trading Transactions for a term of 3 years from 1 January 2008 to 31 December 2010
“GB Trading Transactions”	the GB Purchase Transactions and the GB Sale Transactions
“GL Purchase Transactions”	purchases of automotive components and related accessories by the Wuling Industrial Group from Guangling which are regarded as continuing connected transactions under the Listing Rules
“GL Sale Transactions”	sales of parts and raw materials by the Wuling Industrial Group to Guangling which are regarded as continuing connected transactions under the Listing Rules
“GL Trading Agreement”	the agreement dated 2 July 2008 entered into by Wuling Industrial and Guangling in relation to the GL Trading Transactions for a term of 3 years from 1 January 2008 to 31 December 2010
“GL Trading Transactions”	the GL Purchase Transactions and the GL Sale Transactions
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guangdong Securities” and “Independent Financial Adviser”	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 respect of the Revised GL Trading Agreement and the Revised GB Trading Agreement
“Guangling”	柳州廣菱模具技術有限公司 (Liuzhou Guangling Moulds & Tools Technology Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 50.1% of its total issued share capital
“Guilin Bus”	桂林客車發展有限公司 (Guilin Bus Development Co., Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 70% of its total issued share capital
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising three independent non-executive Directors formed to consider the terms of the Revised GL Trading Agreement and the Revised GB Trading Agreement (together with the respective transactions contemplated thereunder)
“Independent Shareholders”	Shareholders other than Liuzhou Wuling and its associates
“Independent Third Party(ies)”	a person(s) or entity(ies) who/which is(are) not a connected person(s) (as defined under the Listing Rules) of the Company
“Latest Practicable Date”	18 February 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Liuzhou Wuling”	柳州五菱汽車有限責任公司 (Liuzhou Wuling Automobile Company Limited*), a wholly state-owned limited enterprise established in the PRC and the substantial Shareholder which is beneficially interested in approximately 29.93% of the total issued share capital of the Company

DEFINITIONS

“PRC”	The People’s Republic of China
“Revised GB Trading Agreement”	the conditional agreement dated 31 January 2011 entered into by Wuling Industrial and Guilin Bus in relation to the GB Trading Transactions for a term of 3 years from 1 January 2011 to 31 December 2013
“Revised GL Trading Agreement”	the conditional agreement dated 31 January 2011 entered into by Wuling Industrial and Guangling in relation to the GL Trading Transactions for a term of 3 years from 1 January 2011 to 31 December 2013
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	special general meeting of the Company to be held on Thursday, 10 March 2011 at 12:00 noon to approve the Revised GL Trading Agreement and the Revised GB Trading 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
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

In this circular, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at HK\$1 = RMB0.845 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 and
Chief Executive Officer*)

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:*

Unit 2805-06, 28th Floor
Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

21 February 2011

*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,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS – GL TRADING TRANSACTIONS AND GB TRADING TRANSACTIONS

1. INTRODUCTION

The SGM is proposed to be held on Thursday, 10 March 2011 at 12:00 noon at Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong. The purpose of this circular is to provide the Shareholders with further information in respect of certain resolutions regarding the following matters to be proposed at the SGM to enable the Shareholders to make their informed decisions:

- (i) the terms of the Revised GL Trading Agreement, the transactions contemplated thereunder and the proposed annual caps of the GL Trading Transactions; and

* For identification purpose only

LETTER FROM THE BOARD

- (ii) the terms of the Revised GB Trading Agreement, the transactions contemplated thereunder and the proposed annual caps of the GB Trading Transactions.

2. THE REVISED GL TRADING AGREEMENT

Reference is made to the announcement of the Company dated 31 January 2011 in relation to the Revised GL Trading Agreement. After the expiration of the GL Trading Agreement on 31 December 2010, it is expected that the GL Trading Transactions (being the sales of parts and raw materials to and purchases of automotive components and related accessories from Guangling by the Wuling Industrial Group) are continuing, therefore, on 31 January 2011, Wuling Industrial and Guangling entered into the Revised GL Trading Agreement for a term of three years from 1 January 2011 to 31 December 2013. Pursuant to the Revised GL Trading Agreement, the parties thereto have conditionally agreed that during each of the three years ending 31 December 2013,

- (1) the maximum aggregate value of the GL Purchase Transactions shall be RMB62 million (equivalent to approximately HK\$73.37 million), RMB74 million (equivalent to approximately HK\$87.57 million) and RMB96 million (equivalent to approximately HK\$113.61 million) respectively; and
- (2) the maximum aggregate value of the GL Sale Transactions shall be RMB75 million (equivalent to approximately HK\$88.76 million), RMB80 million (equivalent to approximately HK\$94.67 million) and RMB82 million (equivalent to approximately HK\$97.04 million) respectively.

It was also set out in the Revised GL Trading Agreement that Wuling Industrial and Guangling have agreed that:

- a. each GL Trading Transaction will be conducted (i) in the ordinary and usual course of the business of the Group; (ii) on an arm's length basis; and (iii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Group no less favourable than terms available to or from (as appropriate) Independent Third Parties;
- b. the GL Trading Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GL Trading Transactions, will be set out in the Company's next annual report following the occurrence of the relevant GL Trading Transactions; and
- c. Guangling will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the GL Trading Transactions.

LETTER FROM THE BOARD

The Revised GL Trading Agreement, together with the transactions contemplated thereunder (including the GL Trading Transactions), is subject to approval by the Independent Shareholders at the SGM.

Proposed Annual Caps

Set out below is a summary of the GL Trading Transactions which took place during each of the years ended 31 December 2008, 2009 and 2010 between the Group (through Wuling Industrial Group) and Guangling and the proposed annual caps in respect of the Revised GL Trading Agreement for each of the years ending 31 December 2011, 2012 and 2013:

GL Purchase Transactions

	Historical amounts for the year ended 31 December			Proposed annual caps for the year ending 31 December		
	2008	2009	2010	2011	2012	2013
	RMB'000	29,348	47,715	45,149	62,000	74,000
(equivalent to HK\$'000)	34,731	56,468	53,431	73,373	87,574	113,609
% of increment	-	-	-	-	19.4%	29.7%

GL Sale Transactions

	Historical amounts for the year ended 31 December			Proposed annual caps for the year ending 31 December		
	2008	2009	2010	2011	2012	2013
	RMB'000	26,972	41,477	59,350	75,000	80,000
(equivalent to HK\$'000)	31,920	49,085	70,236	88,757	94,675	97,041
% of increment		-	-	-	6.7%	2.5%

The basis of the above annual caps are determined with reference to (a) the respective historical annual amounts of the GL Purchase Transactions and the GL Sale Transactions for the three years ended 31 December 2010 as set out in the table above; (b) the anticipated growth in the respective aggregate values of the GL Purchase Transactions and the GL Sale Transactions, due to the expected growth in the Wuling Industrial Group's business over the three years ending 31 December 2013; and (c) the anticipated inflation in the price of raw materials in the PRC in the three years ending 31 December 2013.

LETTER FROM THE BOARD

Reasons for the Revised GL Trading Agreement

The Group, including Wuling Industrial Group, is principally engaged in the business of manufacturing and trading of engines, automotive components and specialized vehicles in the PRC as well as the trading of raw materials, water and power supply services.

Guangling is principally engaged in (i) trading and manufacturing and sale of mould tools and parts, including the pressing moulds and pressing parts for automotive components and other related products; and (ii) provision of maintenance service on related equipment and facilities. Liuzhou Wuling, a substantial Shareholder, is beneficially interested in 50.1% of the equity interest of Guangling. In this regard, Guangling is a connected person of the Company under the Listing Rules.

The Group, in its ordinary and usual course of business, purchases raw materials, mainly steel, from its suppliers for the production of engines, automotive components and specialized vehicles through Wuling Industrial Group. In addition, as ancillary services provided to its customers and suppliers throughout the course of provision of its ordinary and usual course of business for the purposes of strengthening the Group's business relationship with them and to enrich the source of income, the Group, through Wuling Industrial Group, also engages in the trading of raw materials and provision of a centralized procurement service in the supply chain. Guangling, in its ordinary and usual course of business, needs to purchase raw materials for the production of the mould tools and parts. In consideration of the income generated from the trading activities, the Group considers it will be in the best interests for the Group in entering into the GL Sale Transactions. Furthermore, having taken into account the effect and benefit of bulk purchases, the Group and Guangling consider that by capitalizing on Wuling Industrial Group's merchandising channel and consolidating the purchase orders of the Group and Guangling, the Group will have greater bargaining power with its suppliers and lower the purchase price of raw materials. Besides, as mentioned below, part of the raw materials purchased by Guangling from the Group will be processed into automotive components and related accessories which will be sold to Wuling Industrial Group. The Directors consider that the price of such automotive components and related accessories may be lowered if Guangling is able to source its raw materials at a lower price, in which case it will be in the interests of the Group.

Guangling purchases the parts and raw materials, mainly steel, from the Group for processing into mould tools and parts. Part of these products, being the automotive components and related accessories, are sold to the Group for assembling into the motor vehicles. Guangling is a sino-foreign joint venture established in January 2006 by Liuzhou Wuling and Hirotec Corporation (日本廣島技術有限公司) ("Hirotec"), a company incorporated in Japan and specializes in the businesses of the manufacturing of metal mould tools and parts. As certain parts and components of the manufacturing businesses of the Wuling Industrial Group requires the technology, know-how originated from Hirotec, the Group has to purchase such components from Guangling.

LETTER FROM THE BOARD

None of the Directors had a material interest in the GL Trading Transactions. The Directors, other than the independent non-executive Directors who expressed their opinion in a separate letter which is included in this circular, consider that the GL Trading Transactions will be conducted in the ordinary and usual course of the business of the Group. In addition, each GL Trading Transaction will be negotiated on an arm's length basis or will be conducted on normal commercial terms and on terms to the Group no less favourable than those available to or from (as appropriate) Independent Third Parties. Therefore, the Directors, other than the independent non-executive Directors who expressed their opinion in a separate letter which is included in this circular, consider that the terms, including the annual caps, of the GL Trading Transactions are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

3. THE REVISED GB TRADING AGREEMENT

Reference is made to the announcement of the Company dated 31 January 2011 in relation to the Revised GB Trading Transactions. After the expiration of the GB Trading Agreement on 31 December 2010, it is expected that the GB Trading Transactions (being the sales of parts and raw materials to and purchases of passenger mini-buses from Guilin Bus by Wuling Industrial Group) are continuing, therefore, on 31 January 2011, Wuling Industrial and Guilin Bus entered into the Revised GB Trading Agreement for a term of three years from 1 January 2011 to 31 December 2013. Pursuant to the Revised GB Trading Agreement, the parties thereto have conditionally agreed that during each of the three years ending 31 December 2013,

- (1) the maximum aggregate value of the GB Purchase Transactions shall be RMB50 million (equivalent to approximately HK\$59.17 million), RMB58 million (equivalent to approximately HK\$68.64 million) and RMB66 million (equivalent to approximately HK\$78.11 million) respectively; and
- (2) the maximum aggregate value of the GB Sale Transactions shall be RMB55 million (equivalent to approximately HK\$65.09 million), RMB62 million (equivalent to approximately HK\$73.37 million) and RMB70 million (equivalent to approximately HK\$82.84 million) respectively.

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

- a. each GB Trading Transaction will be conducted (i) in the ordinary and usual course of the business of the Group; (ii) on an arm's length basis; and (iii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Group no less favourable than terms available to or from (as appropriate) Independent Third Parties;
- b. the GB Trading Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GB Trading Transactions, will be set out in the Company's next annual report following the occurrence of the relevant GB Trading Transactions; and

LETTER FROM THE BOARD

- c. Guilin Bus will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the GB Trading Transactions.

The Revised GB Trading Agreement, together with the transactions contemplated thereunder (including the GB Trading Transactions), is subject to approval by the Independent Shareholders at the SGM.

Proposed Annual Caps

Set out below is a summary of the GB Trading Transactions which took place during each of the years ended 31 December 2008, 2009 and 2010 between the Group (through Wuling Industrial Group) and Guilin Bus and the proposed annual caps in respect of the Revised GL Trading Agreement for each of the years ending 31 December 2011, 2012 and 2013:

GB Purchase Transactions

	Historical amounts for the year ended 31 December			Proposed annual caps for the year ending 31 December		
	2008	2009	2010	2011	2012	2013
	RMB'000	25,928	23,496	51,403	50,000	58,000
(equivalent to HK\$'000)	30,684	27,806	60,832	59,172	68,639	78,107
% of increment	-	-	-	-	16.0%	13.8%

GB Sale Transactions

	Historical amounts for the year ended 31 December			Proposed annual caps for the year ending 31 December		
	2008	2009	2010	2011	2012	2013
	RMB'000	16,009	42,310	23,189	55,000	62,000
(equivalent to HK\$'000)	18,946	50,071	27,443	65,089	73,373	82,840
% of increment	-	-	-	-	12.7%	12.9%

The basis of the above annual caps are determined with reference to (a) the respective historical annual amounts of the GB Purchase Transactions and the GB Sale Transactions for the three years ended 31 December 2010 as set out in the table above; (b) the expected growth in the sales of Guilin Bus in the coming three years ending 31 December 2013; and (c) the anticipated inflation in the price of raw materials in the PRC in the three years ending 31 December 2013.

LETTER FROM THE BOARD

Reasons for the Revised GB Trading Agreement

Guilin Bus is principally engaged in manufacturing and trading of vehicles, primarily passenger coaches and buses. Liuzhou Wuling is beneficially interested in 70% of the equity interest of Guilin Bus. In this regard, Guilin Bus is a connected person of the Company under the Listing Rules.

The Group, including Wuling Industrial Group, is principally engaged in the business of manufacturing and trading of engines, automotive components and specialized vehicles in the PRC as well as the trading of raw materials, water and power supply services. As mentioned in the paragraph headed “Reasons for the Revised GL Trading Agreement” above, it is the Group’s intention to be engaged in the trading of raw materials and provision of a centralized procurement service in the supply chain to enjoy the benefit of bulk purchases with its customers and suppliers, the Group, through Wuling Industrial Group, would like to supply the parts and raw materials to Guilin Bus for its vehicles production, and in order to further develop and expand its product portfolio, the Group would also like to act as a sale agent of the vehicles produced by Guilin Bus.

None of the Directors had a material interest in the GB Trading Transactions. The Directors, other than the independent non-executive Directors, who expressed their opinion in a separate letter which is included in this circular, consider that the GB Trading Transactions will be conducted in the ordinary and usual course of the business of the Group. In addition, each GB Trading Transactions will be negotiated on an arm’s length basis and will be conducted on normal commercial terms or on terms to the Group no less favourable than those available to or from (as appropriate) Independent Third Parties. Therefore, the Directors, other than the independent non-executive Directors, who expressed their opinion in a separate letter which is included in this circular, consider that the terms, including the annual caps, of the GB Trading Transactions are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

4. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for both of the Revised GL Trading Agreement and the Revised GB Trading Agreement on an annual basis exceeds 5% and each of the annual caps of the GL Trading Transactions and the GB Trading Transactions under the Revised GL Trading Agreement and the Revised GB Trading Agreement is more than HK\$10 million, such transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the Independent Shareholders’ approval requirements under Rules 14A.48 to 14A.54 of the Listing Rules and the annual review requirements by the independent non-executive Directors and the auditors of the Company under Rules 14A.37 to 14A.41 of the Listing Rules.

The Revised GL Trading Agreement and the Revised GB Trading Agreement are not conditional upon each other.

LETTER FROM THE BOARD

In the event that any of the respective annual caps applicable to the GL Trading Transactions and the GB Trading Transactions as stated above exceeds or if the Group enters into any new agreements relating to any continuing connected transactions with any connected persons in the future, the Company must re-comply with Rule 14A.35 of the Listing Rules.

5. THE SGM

The SGM will be convened at Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong on Thursday, 10 March 2011 at 12:00 noon to approve the Revised GL Trading Agreement, the Revised GB Trading Agreement and the respective transactions contemplated thereunder. Liuzhou Wuling and its associates will abstain from voting at the SGM.

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

Guangdong Securities has been appointed to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with regard to the Revised GL Trading Agreement, the Revised GB Trading Agreement and the respective transactions contemplated thereunder.

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 Hong Kong branch share registrar and transfer office, 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.

LETTER FROM THE BOARD

6. RECOMMENDATION

The Directors consider that the terms of the Revised GL Trading Agreement and the Revised GB Trading Agreement (including the annual caps for the respective transactions contemplated thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Revised GL Trading Agreement, the Revised GB Trading Agreement, the respective transactions contemplated thereunder and the proposed annual caps of the GL Trading Transactions and GB Trading Transactions to be proposed at the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular and the letter from Guangdong Securities set out on pages 14 to 24 of this circular containing their respective recommendations and advice in relation to the GL Trading Agreement, the GB Trading Agreement and the respective transactions contemplated thereunder.

7. FURTHER INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

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

21 February 2011

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS – GL TRADING TRANSACTIONS AND GB TRADING TRANSACTIONS

We refer to the circular of the Company dated 21 February 2011 (the “Circular”) to the Shareholders of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you on the terms of the Revised GL Trading Agreement, the Revised GB Trading Agreement, the respective transactions contemplated thereunder and the proposed annual caps of the GL Trading Transactions and the GB Trading Agreement, 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 to the Independent Board Committee and the Independent Shareholders in relation thereto. Details of the advice and recommendations of Guangdong Securities, together with the principal factors taken into consideration by Guangdong Securities in arriving its advice and recommendations, are set out in the letter from Guangdong Securities on pages 14 to 24 of the Circular.

Having considered the respective terms of the Revised GL Trading Agreement, the Revised GB Trading Agreement and the respective transactions contemplated thereunder, and the relevant advice and recommendations of Guangdong Securities, we are of the view that the terms of the Revised GL Trading Agreement and the Revised GB Trading Agreement (including the annual caps for the respective transactions contemplated thereunder) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Revised GL Trading Agreement and the Revised GB Trading Agreement (including the annual caps for the respective transactions contemplated thereunder) to be proposed at the SGM.

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 Revised GL Trading Agreement (together with the GL Annual Caps, as being defined in this letter), the Revised GB Trading Agreement (together with the GB Annual Caps, as being defined in this letter), and the respective transactions contemplated thereunder for the purpose of inclusion in this circular.



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

21 February 2011

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS: GL TRADING TRANSACTIONS AND GB TRADING TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised GL Trading Agreement (together with its annual caps, the “**GL Annual Caps**”), and the Revised GB Trading Agreement (together with its annual caps, the “**GB Annual Caps**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 February 2011 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.

The Revised GL Trading Agreement

With reference to the announcement and circular of the Company dated 2 July 2008 and 22 July 2008 respectively, the GL Trading Agreement was expired on 31 December 2010. As the GL Trading Transactions (being the purchases of automotive components and related accessories from and the sales of parts and raw materials to Guangling by the Wuling Industrial Group) are continuing after the expiration, on 31 January 2011, Wuling Industrial and Guangling entered into the Revised GL Trading Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013.

LETTER FROM GUANGDONG SECURITIES

The Revised GB Trading Agreement

With reference to the announcement and circular of the Company dated 15 October 2008 and 3 November 2008 respectively, the GB Trading Agreement was expired on 31 December 2010. As the GB Trading Transactions (being the purchases of passenger mini-buses from and the sales of parts and raw materials to Guilin Bus by the Wuling Industrial Group) are continuing after the expiration, on 31 January 2011, Wuling Industrial and Guilin Bus entered into the Revised GB Trading Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013.

Since both of Guangling and Guilin Bus are associates of Liuzhou Wuling, which is a substantial Shareholder, Guangling and Guilin Bus are both regarded as connected persons of the Company. In addition, as one of the applicable percentage ratios for each of the Revised GL Trading Agreement and the Revised GB Trading Agreement on an annual basis exceeds 5% and both of the GL Annual Caps and the GB Annual Caps exceed HK\$10 million, the GL Trading Transactions and the GB Trading Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Pursuant to Rule 14A.37 to 14A.40 of the Listing Rules, such transactions are also required to be reviewed annually by the independent non-executive Directors and the auditors of the Company.

An Independent Board Committee comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Revised GL Trading Agreement (together with the GL Annual Caps) and the Revised GB Trading Agreement (together with the GB Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the GL Trading Transactions and the GB Trading Transactions are conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant ordinary resolutions to approve the Revised GL Trading Agreement (together with the GL Annual Caps), the Revised GB Trading Agreement (together with the GB Annual Caps), and the respective 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 all these respects.

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 enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information

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and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Wuling Industrial, Guangling, Liuzhou Wuling, Guilin Bus or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Revised GL Trading Agreement (together with the GL Annual Caps) and the Revised GB Trading Agreement (together with the GB Annual Caps). Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in the letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

(A) THE REVISED GL TRADING AGREEMENT AND THE GL ANNUAL CAPS

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

(1) Background of the GL Trading Transactions

On 2 July 2008, Wuling Industrial (a non wholly-owned subsidiary of the Company) entered into the GL Trading Agreement with Guangling (an associate of Liuzhou Wuling, a substantial Shareholder), pursuant to which the parties thereto conditionally agreed (i) the purchases of automotive components and related accessories from Guangling by the Wuling Industrial Group; and (ii) the sales of parts and raw materials to Guangling by the Wuling Industrial Group, for a period of three years ended 31 December 2010. As the GL Trading Transactions are continuing after the expiration, on 31 January 2011, Wuling Industrial and Guangling entered into the Revised GL Trading Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013.

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Information on the Wuling Industrial Group

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

Information on Guangling

As referred to in the Board Letter, Guangling is a sino-foreign joint venture established by Liuzhou Wuling and Hirotec Corporation (日本廣島技術有限公司) (“**Hirotec**”), a company incorporated in Japan and specialises in the business of the manufacturing of metal mould tools and parts. Guangling is principally engaged in (i) trading and manufacturing and sales of mould tools and parts, including the pressing moulds and pressing parts for automotive components and other related products; and (ii) provision of maintenance service on related equipment and facilities.

(2) Reasons for the GL Trading Transactions

As advised by the Directors, the business relationship between the Wuling Industrial Group and Guangling commenced in May 2007, before Wuling Industrial becoming a subsidiary of the Company. The Directors further advised us that the GL Trading Transactions are virtually a kind of subcontracting services provided by Guangling for the Wuling Industrial Group’s automotive components manufacturing activities given that the raw materials sourced by Guangling from the Wuling Industrial Group under the GL Sale Transactions are used by Guangling for its production of automotive components which are subsequently sold to the Wuling Industrial Group after processing under the GL Purchase Transactions.

With reference to the Board Letter, the Group, in its ordinary and usual course of business, purchases raw materials, mainly steel, from its suppliers for the production of engines, automotive components and specialised vehicles, through the Wuling Industrial Group. In addition, as ancillary services provided to its customers and suppliers for the purposes of strengthening the Group’s business relationship with them and for enriching the income source of the Group, the Group, through the Wuling Industrial Group, also engages in trading of raw materials and provision of centralised procurement service. Guangling, in its ordinary and usual course of business, has to purchase raw materials for the production of mould tools and parts. Taking into account the effect and benefit of bulk purchases, the Group and Guangling consider that by capitalising on the Wuling Industrial Group’s merchandising channel and consolidating the purchase orders of the Group and Guangling, the Group will have greater bargaining power with its suppliers and hence will be able to lower the purchase price of the raw materials. In addition, as being mentioned below, since part of the raw materials purchased by Guangling from the Group will be processed into automotive components and related accessories which will then be sold to the Wuling Industrial Group, the Directors consider that the price of such automotive components and related accessories may be lowered if Guangling is able to source its raw materials at a lower price.

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Due to the aforesaid reasons, Guangling purchases parts and raw materials, mainly steel, from the Group for processing into mould tools and parts. Part of those products, being automotive components and related accessories, are sold to the Group for assembling into motor vehicles. In view of that certain automotive components and related accessories of the manufacturing business of the Wuling Industrial Group requires the technology and know-how originated from Hirotec, the Group has to purchase such components and accessories from Guangling.

Based on the above reasons for the GL Trading Transactions, we concur with the Directors that the GL Trading Transactions (consisting both the GL Purchase Transactions and the GL Sale Transactions) are conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

(3) Principal terms of the Revised GL Trading Agreement

The table below summarises the major terms of the Revised GL Trading Agreement dated 31 January 2011:

	The GL Purchase Transactions	The GL Sale Transactions
Effective period:	From 1 January 2011 to 31 December 2013 (both days inclusive)	From 1 January 2011 to 31 December 2013 (both days inclusive)
Seller:	Guangling	The Wuling Industrial Group
Purchaser:	The Wuling Industrial Group	Guangling
Subject of the transaction:	Automotive components and related accessories	Parts and raw materials

Besides the terms as outlined above, we have reviewed the other major terms of the Revised GL Trading Agreement and are not aware of any other major terms which are unusual. Moreover, for our due diligence purpose, we have requested the Company to provide us with copies of a sample of trading agreements which were entered into between the Wuling Industrial Group and other Independent Third Parties (the “**Other Wuling GL Trading Agreements**”). We noted from such copies that the terms and conditions of the Revised GL Trading Agreement are similar to those as contained in the Other Wuling GL Trading Agreements. As also stipulated under the Revised GL Trading Agreement and confirmed by the Directors, each of the GL Trading Transactions will be conducted on an arm’s length basis and will be either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Group being no less favourable than terms

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available to or from (as appropriate) Independent Third Parties. In light of all of the foregoing, we concur with the Directors that the terms of the Revised GL Trading Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(4) The GL Annual Caps

The table below shows the GL Annual Caps for the three years ending 31 December 2013:

	Year ending 31 December		
	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
The GL Purchase Transactions	62 million	74 million	96 million
The GL Sale Transactions	75 million	80 million	82 million

As extracted from the Board Letter, the basis of determining the GL Annual Caps is as follows:

- (1) the respective historical annual amounts of the GL Purchase Transactions and the GL Sale Transactions for the three years ended 31 December 2010 (for details, please refer to the Board Letter);
- (2) the anticipated growth in the respective aggregate values of the GL Purchase Transactions and the GL Sale Transactions, due to the expected growth in the Wuling Industrial Group's business over the three years ending 31 December 2013; and
- (3) the anticipated inflation in the price of raw materials in the PRC in the three years ending 31 December 2013.

In assessing the fairness and reasonableness of the GL Annual Caps, we have discussed with the Directors and were given to understand that starting from June 2008, Guangling has become the sole supplier of the automotive components consumed by the Wuling Industrial Group for enhancing its production efficiencies. In addition, we have further requested and obtained the future business plan of the Wuling Industrial Group (the "**Wuling Business Plan**") from the Company to substantiate the anticipated growth in the respective aggregate values of the GL Purchase Transactions and the GL Sale Transactions over the three years ending 31 December 2013. According to the Directors, the Wuling Business Plan was formulated by the management of Wuling Industrial taking into account the prevailing and future market condition, and it formed the basis of projection for the anticipated growth in the amounts of the GL Trading Transactions.

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As for the anticipated inflation in the future price of raw materials in the PRC, we have independently researched over the Bloomberg and we noted that the Bloomberg World Iron/Steel Index had increased by approximately 77.23% from 176.03 points on 1 January 2009 to 311.97 points on 31 December 2010. Such increase was mainly a result of the recovery of the world economy started after the global financial crisis which had taken place between late 2008 and early 2009. In view of the aforesaid, the Directors are of the view that market demands for steel will continue to be strong in the near future and thus the price of steel would likely to be rising persistently.

Having considered the above basis and assumptions in determining the GL Annual Caps, we consider that the GL Annual Caps for each of the three years ending 31 December 2013 are justifiable.

Shareholders should note that as the GL Annual Caps are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2013, and they do not represent forecasts of revenue to be generated from the GL Trading Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated under the GL Trading Transactions will correspond with the GL Annual Caps.

(5) Listing Rules implication

Under the Revised GL Trading Agreement and as confirmed by the Directors, the GL Trading Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GL Trading Transactions, will be set out in the Company's next annual report following the occurrence of the relevant GL Trading Transactions; and Guangling will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the GL Trading Transactions. Given also the relevant stipulated requirements for continuing connected transactions pursuant to Rule 14A.37 to 14A.40 of the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Revised GL Trading Agreement (including the GL Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

(6) Recommendation on the Revised GL Trading Agreement

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

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(B) THE REVISED GB TRADING AGREEMENT AND THE GB ANNUAL CAPS

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

(1) Background of the GB Trading Transactions

On 2 July 2008, Wuling Industrial entered into the GB Trading Agreement with Guilin Bus (an associate of Liuzhou Wuling), pursuant to which the parties thereto conditionally agreed (i) the purchases of passenger mini-buses from Guilin Bus by the Wuling Industrial Group; and (ii) the sales of parts and raw materials to Guilin Bus by the Wuling Industrial Group, for a period of one year ended 31 December 2008. Subsequently on 15 October 2008, Wuling Industrial and Guilin Bus entered into a revised GB trading agreement to (i) extend the term of the GB Trading Agreement for two years to up to 31 December 2010; and (ii) revise the annual caps under the GB Trading Agreement for each of the three years ended 31 December 2010.

As the GB Trading Transactions are continuing after the expiration, on 31 January 2011, Wuling Industrial and Guilin Bus entered into the Revised GB Trading Agreement for a term of three years commencing from 1 January 2011 to 31 December 2013.

Information on Guilin Bus

As referred to in the Board Letter, Guilin Bus is principally engaged in manufacturing and trading of vehicles, primarily passenger coaches and buses.

(2) Reasons for the GB Trading Transactions

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

With reference to the Board Letter and as also mentioned under the section headed "Reasons for the GL Trading Transactions" of this letter, it is the Group's intention to be engaged in trading of raw materials and provision of centralised procurement service in order to enjoy the benefit of bulk purchases with its customers and suppliers. The Group therefore, through the Wuling Industrial Group, would like to supply parts and raw materials to Guilin Bus for its production of passenger mini-buses. On the other hand, for the purpose of further developing and expanding its product portfolio, the Group would also like to act as a sale agent of the passenger mini-buses produced by Guilin Bus.

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Based on the above reasons for the GB Trading Transactions, we concur with the Directors that the GB Trading Transactions (consisting both the GB Purchase Transactions and the GB Sale Transactions) are conducted in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

(3) Principal terms of the Revised GB Trading Agreement

The table below summarises the major terms of the Revised GB Trading Agreement dated 31 January 2011:

	The GB Purchase Transactions	The GB Sale Transactions
Effective period:	From 1 January 2011 to 31 December 2013 (both days inclusive)	From 1 January 2011 to 31 December 2013 (both days inclusive)
Seller:	Guilin Bus	The Wuling Industrial Group
Purchaser:	The Wuling Industrial Group	Guilin
Subject of the transaction:	Passenger mini-buses	Parts and raw materials

Besides the terms as outlined above, we have also reviewed the other major terms of the Revised GB Trading Agreement and are not aware of any other major terms which are unusual. Moreover, for our due diligence purpose, we have requested the Company to provide us with copies of a sample of trading agreements which were entered into between the Wuling Industrial Group and other Independent Third Parties (the “**Other Wuling GB Trading Agreements**”). We noted from such copies that the terms and conditions of the Revised GB Trading Agreement are similar to those as contained in the Other Wuling GB Trading Agreements. As also stipulated under the Revised GB Trading Agreement and confirmed by the Directors, each of the GB Trading Transactions will be conducted on an arm’s length basis and will be either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Group being no less favourable than terms available to or from (as appropriate) Independent Third Parties. In light of all of the foregoing, we concur with the Directors that the terms of the Revised GB Trading Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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(4) The GB Annual Caps

The table below shows the GB Annual Caps for the three years ending 31 December 2013:

	Year ending 31 December		
	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
The GB Purchase Transactions	50 million	58 million	66 million
The GB Sale Transactions	55 million	62 million	70 million

As extracted from the Board Letter, the basis of determining the GB Annual Caps is as follows:

- (1) the respective historical annual amounts of the GB Purchase Transactions and the GB Sale Transactions for the three years ended 31 December 2010 (for details, please refer to the Board Letter);
- (2) the expected growth in the sales of Guilin Bus in the coming three years ending 31 December 2013; and
- (3) the anticipated inflation in the price of raw materials in the PRC in the three years ending 31 December 2013.

In assessing the fairness and reasonableness of the GB Annual Caps, we have discussed with the Directors and were given to understand that Guilin Bus would like to source parts and raw materials from the Wuling Industrial Group for the production of passenger mini-buses; while the Wuling Industrial Group would like to act as a sale agent of the passenger mini-buses produced by Guilin Bus. In addition, we have further requested and obtained the future business plan of Guilin Bus (the “**Guilin Business Plan**”) from the Company to substantiate the expected growth in the sales of Guilin Bus in the coming three years ending 31 December 2013. According to the Directors, the Guilin Business Plan was formulated by the management of Guilin Bus taking into account the prevailing and future market condition, and it formed the basis of projection for the expected growth in the amounts of the GB Trading Transactions.

As for the anticipated inflation in the future price of raw materials in the PRC, as present under the section headed “The GL Annual Caps” of this letter, the Directors are of the view that market demands for steel will continue to be strong in the near future and thus the price of steel would like to be rising persistently.

Having considered the above basis and assumptions for determining the GB Annual Caps, we consider that the GB Annual Caps for each of the three years ending 31 December 2013 are justifiable.

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Shareholders should note that as the GB Annual Caps are relating to future events and are estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2013, and they do not represent forecasts of revenue to be generated from the GB Trading Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated under the GB Trading Transactions will correspond with the GB Annual Caps.

(5) Listing Rules implication

Under the Revised GB Trading Agreement and as confirmed by the Directors, the GB Trading Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GB Trading Transactions, will be set out in the Company's next annual report following the occurrence of the relevant GB Trading Transactions; and Guilin Bus will provide its relevant records for the auditors of the Company and Wuling Industrial during their course of review of the GB Trading Transactions. Given also the relevant requirements for continuing connected transactions pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Revised GB Trading Agreement (including the GB Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

(6) Recommendation on the Revised GB Trading Agreement

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors and chief executive 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 percentage of the issued share capital (Note 3)
Mr. Lee Shing (“Mr. Lee”)	Held by controlled corporation (Note 1)	281,622,914	22.63%
Mr. Zhou Sheji (“Mr. Zhou”)	Held by controlled corporation (Note 2)	44,770,000	3.60%

Notes:

- (1) Among those 281,622,914 Shares, 259,959,613 Shares are held by Dragon Hill Development Limited (“Dragon Hill”), a company wholly-owned by Mr. Lee, and the remaining 21,663,301 Shares will be subscribed by Dragon Hill pursuant to the irrevocable undertaking given by Dragon Hill in favour of the Company to subscribe for 50% of the assured entitlement of Dragon Hill in respect of a total of 43,326,602 Shares offered under the Company’s 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 (the “Open Offer”, details of which is set out in the circular of the Company dated 15 February 2011). Unless specified otherwise, terms used herein these notes (1) – (3) and notes (1) to (5) under the section headed “Substantial Shareholders” below shall have the same meanings as those defined in that circular.
- (2) Mr. Zhou is beneficially interested in 44,770,000 Shares, which interests are held by his controlled corporation, Gao Bao Development Limited.
- (3) The approximate percentage of the total issued share capital set out in the above table is calculated based on the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after completion of the Open Offer, after taking into account the Option Undertaking and assuming all of the Non-Concert Party Held Options are exercised on or before the Record Date.

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

Name of Directors	Capacity	Number of outstanding Options held	Exercise period	Price of grant	Subscription price per Share
Mr. Sun Shaoli	Beneficial owner	900,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		900,000			
		1,800,000			
Mr. Lee	Beneficial owner	900,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		900,000			
		1,800,000			
	Family interest (Note)	350,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		350,000			
		700,000			
Mr. Wei Hongwen	Beneficial owner	800,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		800,000			
		1,600,000			

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

Note: The 700,000 share options are held by the spouse of Mr. Lee.

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	Capacity	Nature of interest	Number of shares	Approximate percentage of the issued share capital (note 5)
Dragon Hill (Note 1)	Beneficial owner	Corporate	281,622,914	22.63%
Wuling (Hong Kong) Limited (Notes 2, 3 and 4)	Beneficial owner	Corporate	456,399,040	36.68%
		Unlisted derivatives	136,986,300	11.01%
		Total	593,385,340	47.69%
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (Notes 2, 3 and 4)	Interest in controlled corporate	Corporate	456,399,040	36.68%
		Unlisted derivatives	136,986,300	11.01%
		Total	593,385,340	47.69%
Liuzhou Wuling (Notes 2, 3 and 4)	Interest in controlled corporate	Corporate	456,399,040	36.68%
		Unlisted derivatives	136,986,300	11.01%
		Total	593,385,340	47.69%

Notes:

- (1)
 - (a) The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee, an executive Director. Accordingly, this parcel of shares of the Company has also been disclosed as long position of Mr. Lee under the above section.
 - (b) Among those 281,622,914 Shares, 259,959,613 Shares are currently held by Dragon Hill and the remaining 21,663,301 Shares will be subscribed by Dragon Hill pursuant to the Irrevocable Undertaking 2 under the Open Offer.
- (2) The entire issued share capital of the Underwriter 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 be interested in the Shares held by the Underwriter under the SFO.
- (3) Among the 456,399,040 Shares, (i) 300,288,000 Shares are currently held by the Underwriter; (ii) 50,048,000 Shares will be subscribed by the Underwriter pursuant to the Irrevocable Undertaking 1 under the Open Offer; (iii) 106,063,040 Shares to be allotted and issued under the Open Offer have been underwritten by the Underwriter pursuant to the Underwriting Agreement.
- (4) The unlisted derivatives referred to 136,986,300 Shares issuable to the Underwriter upon exercise in full of the conversion rights attached to the Existing Convertible Notes with a principal amount of HK\$100,000,000 at the existing conversion price of HK\$0.73 per Share (subject to adjustment).
- (5) The approximate percentage of the total issued share capital set out in the above table is calculated based on the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares immediately after completion of the Open Offer, after taking into account the Option Undertaking and assuming the exercise in full of all Non-Concert Party Held Options on or before the Record Date.

3. COMPETING INTEREST

- (a) Mr. Lee, an executive Director, is also a director 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 next year. 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.

- (b) Mr. Wei Hongwen (“Mr. Wei”), an executive Director is a director of SAIC-GM-Wuling Automobile Co., Ltd (“SGMW”). SGMW is principally engaged in the manufacturing and trading businesses of motor vehicles and engines, which may have direct or indirect competition to the businesses of the Group. Although Mr. Wei is taken to have competing interests in SGMW by virtue of his common directorships, he will fulfil his fiduciary duty in order to ensure that he will act in the best interest of the Shareholders and the Company as a whole at all times. Besides, as SGMW is operated and managed under a publicly listed company with independent management and administration, the Directors are satisfied that the Group is capable of carrying its businesses independently of, and at arm’s lengths basis from, the businesses of SGMW.

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

The Directors confirmed that there was no material adverse change in the financial or trading prospect of the Group since 31 December 2009, the date to which the latest published audited consolidated accounts of the Group were made up, up to the Latest Practicable Date.

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

A subsidiary of the Company entered into a lease agreement with an associate of Mr. Lee, an executive Director, in July 2010 for the leasing of a warehouse for keeping the old records of the Group for three years commencing from 1 August 2010 at a monthly rental of HK\$9,200. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 December 2009 (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, save as the conditional underwriting agreement entered into between the Company and Wuling (Hong Kong) Holdings Limited on 29 December 2010, whereas (i) Mr. Sun Shaoli (being an executive Director and the Chairman), Mr. Wei Hongwen and Mr. Zhong Xianhua (both being executive Directors) are directors and/or senior management members of Wuling (Hong Kong) Holdings Limited, and (ii) Dragon Hill, a substantial Shareholder which is wholly and beneficially owned by Mr. Lee, is a party acting in concert with Wuling (Hong Kong) Holdings Limited, 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. Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. LITIGATION

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

8. QUALIFICATION, CONSENT AND INTEREST OF EXPERT

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

Name	Qualification
Guangdong Securities	a licensed corporation 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

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 2009 being the date to which the latest audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (i) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No.1 Harbour 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 Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays between the period from Monday, 21 February 2011 to Thursday, 10 March 2011 (both days inclusive):

- (i) the Revised GL Trading Agreement;
- (ii) the Revised GB Trading Agreement;
- (iii) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (iv) the letter from Guangdong Securities, the text of which is set out on pages 14 to 24 of this circular; and
- (v) the written consent of Guangdong Securities referred to under the section headed "Qualification, consent and interest of expert" in this appendix.

NOTICE OF SGM



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

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Special General Meeting of Dragon Hill Wuling Automobile Holdings Limited (“the Company”) will be held at Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong at 12:00 noon on Thursday, 10 March 2011, for the following purposes:

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

“THAT

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

* *For identification purpose only*

NOTICE OF SGM

For the purposes of these resolutions, the term “Revised GL Trading Agreement” and the “Revised GB Trading Agreement” shall have the same meanings as defined in the circular to the shareholders of the Company dated 21 February 2011.”

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

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.

Hong Kong, 21 February 2011

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 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 21 February 2011 which contains information concerning the resolution to be proposed in this notice.
5. The Resolution to be proposed at the meeting shall be decided by way of poll.