
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, 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, you should at once hand this Prospectus and the accompanying Application Form to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents, together with documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and will, as soon as reasonably practicable after the Prospectus Posting Date, be filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of these documents referred to above.

Subject to the granting of the 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 date 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 date thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your entitlements and interests.

Hong Kong Exchanges and Clearing Company Limited, the Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



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)

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

Underwriter

Wuling (Hong Kong) Holdings Limited

Financial Adviser

時富金融 CFSG



時富融資有限公司
Celestial Capital Limited

Terms used in this cover shall have the same meanings as defined in this Prospectus.

The latest time for application and payment for the Offer Shares is 4:00 p.m. on Wednesday, 23 March 2011. The procedures for application and payment are set out on pages 28 to 29 of this Prospectus.

The Underwriting Agreement in respect of the Open Offer contains provisions entitling the Underwriter by notice in writing to terminate the Underwriting Agreement on the occurrence of certain events. These certain events are set out in the section headed "Termination of the Underwriting Agreement" on pages 7 and 8 of this Prospectus. If the Underwriter terminates the Underwriting Agreement or does not become unconditional, the Open Offer will not proceed.

It should be noted that the Shares have been dealt with on an ex-entitlements basis commencing from Thursday, 3 March 2011 and that dealings in the Shares may take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares from the date of this Prospectus up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be 4:00 p.m. on Monday, 28 March 2011) will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares who is in any doubt about his/her position is recommended to consult his/her own professional advisers.

* For identification purpose only

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EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Open Offer. **The timetable is subject to change as agreed between the Company and the Underwriter. The Company will notify the Shareholders on any changes to the expected timetable as and when appropriate.**

2011

Register of members reopens	9 March (Wednesday)
Despatch of the Prospectus Documents and the Overseas Letter	9 March (Wednesday)
Final Acceptance Time and latest time for the payment for the Offer Shares	4:00 p.m. on 23 March (Wednesday)
Latest time for the Open Offer to become unconditional.	4:00 p.m. on 28 March (Monday)
Announcement of results of acceptance of the Open Offer	29 March (Tuesday)
Despatch of share certificates for the Offer Shares	29 March (Tuesday)
Commencement of dealings in the Offer Shares	31 March (Thursday)

Notes:

- (i) All times in this Prospectus refer to Hong Kong time.
- (ii) Effect of bad weather on the latest time for acceptance of and payment for Offer Shares:

The latest time for acceptance of and payment for Offer Shares will not take place at the Final Acceptance Time if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time of acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Final Acceptance Date. Instead the latest time of acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place on Final Acceptance Date, the dates mentioned in this section headed “Expected timetable” may be affected. An announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 4 January 2011 in relation to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“Application Form(s)”	the application form(s) 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 business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 15 February 2011 in relation to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver
“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 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

DEFINITIONS

“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 was beneficially interested in approximately 25.91% of the issued share capital of the Company as at the Latest Practicable Date. It is solely and beneficially owned by Mr. Lee Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company, who is also the sole director of Dragon Hill. Dragon Hill is a party acting in concert with the Underwriter
“Dragon Hill Assured Entitlement”	being the assured entitlement of Dragon Hill in respect of a total of 43,326,602 Offer Shares under the Open Offer, based on 259,959,613 Shares held by Dragon Hill as at the Latest Practicable Date 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 a subscription agreement dated 28 November 2008, details of which are set out in the Company’s circular dated 16 December 2008
“Final Acceptance Date”	23 March 2011 or such later date as may be agreed between the Company and the Underwriter
“Final Acceptance Time”	4:00 p.m. on the Final Acceptance Date or such later time and/or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of allotment of the Offer Shares on an assured basis
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	the Shareholders who are not involved or interested in the Open Offer (save for any assured entitlements to the Open Offer as the Qualifying Shareholders), the Underwriting Agreement and the Whitewash Waiver, and do not include (i) the Underwriter, Dragon Hill, their respective associates and parties acting in concert with any of them; and (ii) Gao Bao Development Limited, which is beneficially owned by Mr. Zhou Sheji, an executive Director, solely for the purpose of Note 1 on dispensations from Rule 26 of the Takeovers Code
“Irrevocable Undertaking 1”	an irrevocable undertaking given by the Underwriter pursuant to the Underwriting Agreement 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 Date”	29 December 2010, being the last day on which the Shares were traded on the Stock Exchange immediately preceding the publication of the Announcement
“Latest Practicable Date”	7 March 2011, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information contained in this Prospectus
“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 Date 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, being the ultimate holding company of the Underwriter and a party acting in concert with the Underwriter

DEFINITIONS

“Non-Concert Party Held Options”	all outstanding Options other than those held by parties acting in concert with the Underwriter
“Offer Share(s)”	not less than 167,229,341 Offer Shares (after taking into account the CN Holder Undertakings and the Option Undertaking, and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more 177,774,341 Offer Shares (after taking into account the CN Holder Undertakings and the Option Undertaking, and assuming the exercise in full of the Non-Concert Party Held Options after the Latest Practicable Date and up to and including the Record Date)
“Open Offer”	the proposed issue of the Offer Shares by the Company to the Qualifying Shareholders on the basis of one (1) Offer Share for every six (6) Shares 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 the letter from the Board set out in this Prospectus
“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 under 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 Latest Practicable Date 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 up to the expiry date on 31 December 2013
“Overseas Letter”	the letter in respect of the exclusion of the Excluded Shareholder(s) 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

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this Prospectus excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Prospectus”	this prospectus published by the Company in respect of the Open Offer
“Prospectus Documents”	this Prospectus and the Application Form
“Prospectus Posting Date”	9 March 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”	8 March 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 the Company which is situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened and held on 8 March 2011 at which resolutions were passed to 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 Share(s)
“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

DEFINITIONS

“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 was beneficially interested in approximately 29.93% of the issued share capital of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Liuzhou Wuling
“Underwriting Agreement”	collectively, the conditional underwriting agreement dated 29 December 2010 entered into between the Company and the Underwriter in relation to the Open Offer and as amended and supplemented by two supplemental agreements and a side letter entered into by parties thereto on 4 January 2011, 12 January 2011 and 14 February 2011, respectively
“Whitewash Waiver”	a waiver granted by 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
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this Prospectus, 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.

* For identification purpose only

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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (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.

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

9 March 2011

*To the Qualifying Shareholders and,
for information only, Excluded Shareholders*

Dear Sir or Madam,

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

INTRODUCTION

On 4 January 2011, the Company announced the proposed fund raising exercise by way of the Open Offer and the Whitewash Waiver. The Open Offer will be underwritten by the Underwriter pursuant to the Underwriting Agreement.

The Circular in relation to, among other things, the Open Offer, the Underwriting Agreement and the Whitewash Waiver was despatched to the Shareholders on 15 February 2011. The Executive has granted the Whitewash Waiver, which was approved by the Independent Shareholders by way of poll at the SGM. The Underwriting Agreement, the Open Offer (in respect of the absence of any arrangement to apply for Offer Shares by the Qualifying Shareholders in excess of their entitlements under the Open Offer as referred to in Rule 7.26A of the Listing Rules) and the Whitewash Waiver were approved by the Independent Shareholders by way of poll at the SGM on 8 March 2011.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide the Qualifying Shareholders with further information in relation to the Open Offer, including information on dealings in and application for Offer Shares, and the financial information and other general information on the Group.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer: One (1) Offer Share for every six (6) Shares held on the Record Date (rounded down to the nearest one)

The Open Offer will not be available to the Excluded Shareholders. Accordingly, no Offer Share will be offered to the Excluded Shareholders

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 Latest Practicable Date (*Note (a)*): 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 the Non-Concert Party Held Options) (*Notes (b) and (c)*): 63,270,000 Shares

Number of Offer Shares (*Notes (d) and (e)*): Not less than 167,229,341 Offer Shares (after taking into account the CN Holder Undertakings and 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 Undertakings and the Option Undertaking, and assuming the exercise in full of the Non-Concert Party Held Options after the Latest Practicable Date and up to and including the Record Date)

LETTER FROM THE BOARD

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 Latest Practicable Date 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 Latest Practicable Date 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 and the Option Undertaking, and assuming the Non-Concert Party Held Options are not exercised on or before the Record Date) and not more 106,063,040 Offer Shares (after taking into account the CN Holder Undertakings and the Option Undertaking, and assuming the exercise in full of the Non-Concert Party Held Options after the Latest Practicable Date and up to and including 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 and 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 Undertakings and the Option Undertaking, and assuming the exercise in full of the Non-Concert Party Held Options after the Latest Practicable Date and up to and including the Record Date)

Notes:

- (a) As at the Latest Practicable Date, there were (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.

LETTER FROM THE BOARD

- (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 up to the expiry date on 31 December 2013; and
 - 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. As at the Latest Practicable date, the Non-Concert Party Held Options carrying subscription rights to subscribe for a total of 63,270,000 Shares.
- (d) Based on a total of 1,003,376,049 Shares in issue as at the Latest Practicable Date and assuming that there will be no change to the share capital structure of the Company thereafter up to and including the Record Date, a total of 167,229,341 Offer Shares will be issued under the Open Offer.
- (e) After taking into account the CN Holder Undertakings and the Option Undertaking, and assuming the exercise in full of the Non-Concert Party Held Options after the Latest Practicable Date and up to and including the Record Date, a maximum of 10,545,000 Offer Shares may be issued in addition to those 167,229,341 Offer Shares issuable based on the total number of Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the Existing Convertible Notes and the Options, there were no outstanding derivatives, options, warrants or other convertible securities which might 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 Latest Practicable Date up to and including the Record Date; (iii) the assumption that there is no change to the number of issued Shares from the Latest Practicable Date up to and including 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 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.

LETTER FROM THE BOARD

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 Date;
- (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 Date, 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 Date, 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 Date;
- (v) a discount of approximately 3.23% to the last closing price of HK\$0.93 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) 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 Latest Practicable Date.

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" below in this letter from the Board). 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 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.

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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 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.

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.

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.

According to the register of members of the Company as at the Record Date, there were six Overseas Shareholders whose addresses were in Canada, Macau, Malaysia, Spain and the United Kingdom. The Company's register of members were closed from 7 March 2011 until 8 March 2011 (both dates inclusive) for the purpose of establishing entitlements to the Open Offer, and no transfer of Shares was registered during such period. The Company has made enquiries with the Company's overseas legal advisers ("Enquiries") regarding the feasibility of extending the Open Offer to the Overseas Shareholders, and to assist and enable the Company to consider whether it would be unduly burdensome to, or otherwise necessary or expedient not to, offer the Offer Shares to such Overseas Shareholders on account either of the legal restrictions under the laws of the relevant places or requirements of the relevant regulatory body or stock exchange in such places. Based on the legal opinion/advice obtained, the Open Offer is being extended to the Overseas Shareholders with registered addresses in Macau, Malaysia, Spain and the United Kingdom as there are no restrictions, or no onerous restrictions, or there are relevant exemptions available in relation to the offer of Offer Shares to the Overseas Shareholders in these jurisdictions. The Board takes the view that the offer of the Offer Shares to Overseas Shareholders with registered addresses in Canada would, or might, in the absence of compliance with registration or other requirements or formalities, be unlawful or impracticable in the circumstances. On that basis, the Board considers that it would be unduly burdensome to, or otherwise necessary or expedient not to, offer the Offer Shares to the Overseas Shareholders with registered addresses in Canada and such Overseas Shareholders are regarded as Excluded Shareholders in relation to the Open Offer. The Offer Shares which such Excluded Shareholders would otherwise have been entitled to subscribe for will be taken up by the Underwriter pursuant to the Underwriting Agreement.

LETTER FROM THE BOARD

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and will send this Prospectus and the Overseas Letter to the Excluded Shareholders for their information only. The Company will not send the Application Form to the Excluded Shareholders.

Fractions of the Offer Shares

Fractional entitlements to the Offer Shares, if any, will not be allotted or issued to the Qualifying 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 the 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. The voting on the relevant resolution has been conducted and the same was approved by way of poll at the SGM.

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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 29 March 2011 at the own risk of such subscribers (or their nominees).

Application for listing

The Company has applied 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 two supplemental agreements and a side letter entered into by parties thereto dated 4 January 2011, 12 January 2011 and 14 February 2011, respectively

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

LETTER FROM THE BOARD

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 and 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 and the Option Undertaking, and assuming the exercise in full of all Non-Concert Party Held Options after the Latest Practicable Date and up to and including 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;

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- (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 approval being obtained from the SFC for the Underwriter and/or its holding companies, where appropriate, to become substantial shareholders of Dragon Hill Financial Services Limited, an indirect wholly-owned subsidiary of the Company;
- (h) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof; and
- (i) 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. As at the date of this Prospectus, conditions precedent (a), (b), (c), (d), (e) and (g) above have been fulfilled.

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

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- (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.

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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 transfer or otherwise dispose of any of the 300,288,000 Shares held by it as at 29 December 2010 and prior to or on the date the Underwriting Agreement becoming 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 (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 Latest Practicable Date, 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 Latest Practicable Date, 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 the Announcement until the Record Date.

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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 letter from the Board, 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 letter from the Board). Accordingly, the Open Offer may or may not proceed.

Any Shareholders and other persons contemplating buying or selling Shares from the date of this Prospectus up to the date on which all the conditions of the Open Offer are fulfilled (which is expected to be at 4:00 p.m. on 28 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.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in manufacturing and trading of engines and parts, automotive components and accessories, specialised vehicles and the trading and supply services of raw materials, water and power. The Group’s principal operations are conducted in the PRC.

LETTER FROM THE BOARD

As set out in the 2010 interim report of the Company, since the date of the latest published audited financial statements of the Company for the year ended 31 December 2009, during the six-month period ended 30 June 2010, the Group recorded unaudited revenue of approximately RMB5,615 million, representing an increase of approximately 17% as compared to the same period in 2009, whereas, unaudited profit for the period attributable to owners of the Company amounted to approximately RMB64 million during the six months ended 30 June 2010 as compared to an unaudited loss of approximately RMB\$41 million recorded in the same period in the preceding year. As at 30 June 2010, the Group's unaudited net assets amounted to approximately RMB857 million, which was increased as compared to the audited net assets of approximately RMB700 million as recorded at 31 December 2009 (as shown in the 2009 annual report of the Company), in which unaudited net assets attributable to the owners of the Company amounted to RMB271 million as at 30 June 2010, representing an increase of approximately 115% as compared to the comparative audited figure of approximately RMB126 million as recorded at 31 December 2009. The Group's gearing ratio, being calculated based on the Group's total bank borrowings and the Group's net assets, was 20.9% at 30 June 2010, which showed a decrease as compared to the gearing ratio of 34% as recorded at 31 December 2009 (as shown in the 2009 annual report of the Company).

The increase in unaudited revenue during the first half of 2010 (as compared with the corresponding period in 2009) was mainly attributable to the continuous strong market demands for the vehicles produced by its customers and the increasing sales of specialized vehicles on the back of the favourable market condition of the automobile industry during the period. As set out in the 2010 interim report of the Company, unaudited profit attributable to the owners of the Company turned around from a deficit in the corresponding period in the previous year to a profit for the first half of 2010 was mainly the results of the fair value adjustment relating to the Existing Convertible Notes, in which a gain of approximately RMB44 million was recorded in the first half of 2010 as compared to a loss of approximately RMB61 million recorded in the corresponding period in 2009. On exclusion of the effects of these fair value adjustments, unaudited profit attributable to the owners of the Company was only slightly improved in the first half of 2010. Despite the increase in unaudited revenue and a better gross margin performance in the first half of 2010, unaudited operating results of the Group did not improve on a proportionate magnitude due to the share option expenses, the higher level of distribution costs in the automotive components and specialized vehicles divisions and the additional research and development expenses incurred for the new products as well as certain business development projects.

Looking ahead, the Group expects the favourable economic conditions and market trends will bring business opportunities to its four main business segments. In response to the encouraging market situation, the management has been implementing various capacity expansion programs in the Group in order to cope with the growing demands from the customers. In addition, the Group will also continue to undertake quality after-sale services and planned technical re-engineering programs to further the product quality standard and technical capability so as to stay competitive in the industry.

LETTER FROM THE BOARD

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 Latest Practicable Date and immediately after completion of the Open Offer is set out below:

	As at the Latest Practicable 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 Shares	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
Director 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 Latest Practicable Date, 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.
- 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.
- 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.
- 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.
- 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.

LETTER FROM THE BOARD

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 after the Latest Practicable Date and up to and including 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 Shares	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
Director 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:

- 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 Latest Practicable Date, 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.
- 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.
- 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.
- 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.

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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 Latest Practicable Date, Mr. Zhou Sheji held Options which carry subscription rights to subscribe for a total of 1,400,000 Shares.
6. As at the Latest Practicable Date, 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) setting out, among other things, shareholding structure of the Company will be made by the Company in accordance with the Listing Rules following 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. The Underwriter was a substantial Shareholder holding 300,288,000 Shares, representing approximately 29.93% of the total number of Shares in issue as at the Latest Practicable Date. In addition, the Underwriter also held 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 Latest Practicable Date 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.

INTENTION OF THE UNDERWRITER

Save for the securities dealing and margin financing division which is non-core to the principal business activities of the Group and has been operating at a loss for the past three years, where the Group has carried out certain studies on its business potential, viability and possible actions to be taken, including but not limited to close down of such business or disposal of the same, it is the intention of the Underwriter that the Group will continue its current business, and the Underwriter has no intention to make any major changes to the business (including redeployment of fixed assets of the Group) or continued employment of the employees of the Group. As at the Latest Practicable Date, no concrete plan has yet been formulated and determined by the Underwriter and the Group on the securities dealing and margin financing division and such line of business may or may not be carried on by the Group in future. The Company and the Underwriter will comply with the Listing Rules and, where applicable, the Takeovers Code (for instance Rule 25 thereof in case of special deals, if any) when making decisions and taking actions in respect of the securities business of the Group in future.

LETTER FROM THE BOARD

As mentioned in the following section headed “Reasons for the Open Offer and the use of proceeds”, net proceeds from the Open Offer will be used to finance the business and operations of the Wuling Industrial Group as well as the Group’s general working capital. After taking into account the factors set out in the section headed “Reasons for the Open Offer and the use of proceeds” below, the Underwriter believes that the Open Offer would strengthen the Group’s financial position, enlarge its capital base and provides funds to finance the development of the Group’s business and operations, which in turn would enhance the value of the investments of the Shareholders, including the Underwriter and parties acting in concert with it, in the Company in the long run.

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 and parts, automotive components and accessories, specialised vehicles and the trading and supply services of raw materials, water and power in the PRC.

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.

LETTER FROM THE BOARD

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 consider 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 placees 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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.

Date of announcement	Details of the fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
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

PROCEDURE FOR APPLICATION

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to apply for the number of Offer Shares as shown therein subject to payment in full by the Final Acceptance Time. Qualifying Shareholders should note that they may apply for any number of Offer Shares only up to the number set out in the Application Forms respectively addressed to them. If a Qualifying Shareholder wishes to apply for all the Offer Shares offered to it as specified in the Application Form addressed to it or wish to apply for any number less than its entitlement under the Open Offer, it must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares it has applied for with Tricolor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by **4:00 p.m. on Wednesday, 23 March 2011**. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers' cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**Dragon Hill Wuling Automobile Holdings Limited – Open Offer Account**" and crossed "**Account Payee Only**". It should be noted that unless the duly completed and signed Application

LETTER FROM THE BOARD

Form, together with the appropriate remittance, have been lodged with Tricor Tengis Limited by not later than **4:00 p.m. on Wednesday, 23 March 2011**, the entitlements of the respective Qualifying Shareholders under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

The Application Form contains further information regarding the procedures to be followed if Qualifying Shareholders wish to accept the whole or part of their assured allotment. All cheques and cashier's orders accompanying completed Application Form will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an Application Form with a cheque and/or a banker's cashier order will constitute a warranty by the applicant that the cheque and/or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any application, and the entitlement given pursuant to which will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any acceptance monies received. If the conditions of the Underwriting Agreement are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms before the Latest Time for Termination, the monies received in respect of acceptance of Offer Shares will be returned to the relevant Qualifying Shareholders, or in case of joint applicants, to the first-named person without interest by means of cheques despatched by ordinary post to the respective addresses specified in the register of members of the Company at their own risk as soon as practicable thereafter.

All Qualifying Shareholders are recommended to consult their independent professional advisers if they are in any doubt as to the taxation implications of applying for, holding, disposing of or dealing in the Offer Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the application for, holding, disposal of, or dealing in the Offer Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information on the Group set out in the appendices to this Prospectus.

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

1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited financial statements of the Group for the three years ended 31 December 2007, 2008 and 2009, including the notes thereto, have been disclosed in the annual reports of the Company for the years ended 31 December 2007 (page 47 to page 107), 2008 (page 49 to page 111) and 2009 (page 55 to page 124) respectively. The said annual reports of the Company are available on the Company's website at www.dhwuling.com and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS

At the close of business on 31 January 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

	<i>RMB'000</i>	<i>Notes</i>
Bank borrowings – secured	38,309	1
Bank borrowings – unsecured	214,967	2
Amounts due to shareholders	961,139	3
Bills payables – secured	2,986,497	1
Advances drawn on bills receivables discounted with recourse	1,272,510	4
Obligations under finance leases	146	1
Convertible loan notes	73,329	5
	<u>5,546,897</u>	

Notes:

1. These bank borrowings are secured by fixed charges on certain of the Group's investment properties, short-term bank deposits and property, plant and equipment.
2. Of these, bank borrowings of approximately RMB141 million which are guaranteed by Liuzhou Wuling and a director of the Company.
3. These represent unsecured amounts due to Liuzhou Wuling and its subsidiary, Wuling (Hong Kong) Holdings Limited ("Wuling HK").
4. The advances drawn on bills receivables discounted with recourse were secured by trade receivables of the Group in the same amount.
5. This represents the liability component of unsecured convertible loan notes with an aggregate principal sum of HK\$100,000,000 at par (equivalent to approximately RMB88,609,000) issued by the Company to Wuling HK.

In addition, at 31 January 2011, the Group had (i) contingent liabilities of RMB113 million in respect of financial guarantee provided to a bank in respect of a banking facility to the extent of RMB200 million granted to Liuzhou Wuling.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 January 2011, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including banking facilities and other internal resources, and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Prospectus.

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2010 and taking into account certain assumptions.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustration purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net assets of the Group at 30 June 2010, as extracted from the published interim report of the Group as set out in Appendix I to the Prospectus and the adjustments described below.

Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2010 <i>RMB'000</i> <i>(note i)</i>	Adjustment for intangible assets of the Group attributable to owners of the Company as at 30 June 2010 <i>RMB'000</i> <i>(note ii)</i>	Adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2010 <i>RMB'000</i> (A)	Estimated net proceeds from the Open Offer* assuming no Non-Concert Party Held Options are exercised on or before the Record Date <i>RMB'000</i> <i>(note iii)</i>	Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer* assuming no Non-Concert Party Held Options are exercised on or before the Record Date <i>RMB'000</i> (A)+(B)	Estimated proceeds from exercise of all Non-Concert Party Held Options on or before the Record Date <i>RMB'000</i> <i>(note iv)</i>	Estimated net proceeds from the Open Offer * assuming all Non-Concert Party Held Options are exercised on or before the Record Date <i>RMB'000</i> <i>(note v)</i>	Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer* assuming all Non-Concert Party Held Options are exercised on or before the Record Date <i>RMB'000</i> (A)+(C)+(D)
271,368	928	270,440	124,688	395,128	57,304	132,721	460,465

Adjusted unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2010 before Open Offer per Share *(note vi)* RMB0.270

Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer* assuming no Non-Concert Party Held Options are exercised on or before the Record Date per Share *(note vii)* RMB0.338

Adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer* assuming all Non-Concert Party Held Options are exercised on or before the Record Date per Share *(note viii)* RMB0.370

(* after taking into account the Irrevocable Undertakings, the CN Undertaking and the Option Undertaking)

Notes:

- i. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2010 is extracted from the published unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 as set out in Appendix I to this Prospectus.
- ii. The intangible assets represent the Group's securities trading rights of approximately RMB928,000 which is extracted from the published unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 as set out in Appendix I to this Prospectus.
- iii. The estimated net proceeds from the Open Offer are based on 167,229,341 Offer Shares issued (based on the total number of 1,003,376,049 Shares in issue as at the Latest Practicable Date and on the basis of 1 Offer Share for every 6 Shares held at the Record Date at a subscription price of HK\$0.90 (equivalent to approximately RMB0.76) per Offer Share after taking into account the Irrevocable Undertakings, the CN Holder Undertaking and the Option Undertaking and assuming the Non-Concert Party Held Options are not exercised on or before completion of the Open Offer, after deduction of the estimated expenses attributable to the Open Offer of approximately HK\$3,200,000 (equivalent to approximately RMB2,709,000) and the differences attributable to rounding.
- iv. The estimated net proceeds from the exercise of Non-Concert Party Held Options are based on the total number of 63,270,000 Non-Concert Party Held Options and the exercise price of HK\$1.07 per Share (equivalent to RMB0.91) and the differences attributable to rounding.
- v. The estimated net proceeds from the Open Offer are based on 177,774,341 Offer Shares issued (based on the aggregate of the total number of 1,003,376,049 Shares in issue as at the Latest Practicable Date and the 63,270,000 new Shares to be issued on exercise of all Non-Concert Party Held Options on or before the Record Date, and on the basis of 1 Offer Share for every 6 Shares held at the Record Date at a subscription price of HK\$0.90 (equivalent to approximately RMB0.76) per Offer Share after taking into account the Irrevocable Undertakings, the CN Holder Undertaking and the Option Undertaking, after deduction of the estimated expenses attributable to the Open Offer of approximately HK\$3,200,000 (equivalent to approximately RMB2,709,000) and the differences attributable to rounding.
- vi. The number of Shares used for the calculation of adjusted unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2010 is based on the number of Shares in issue as at the Latest Practicable Date, i.e. 1,003,376,049 Shares.
- vii. The number of Shares used for the calculation of adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer after taking into account the Irrevocable Undertakings, the CN Holder Undertaking and the Option Undertaking and assuming no Non-Concert Party Held Options are exercised on or before the Record Date per Share is based on 1,170,605,390 Shares calculated as follows:
 - a. 1,003,376,049 Shares in issue as at the Latest Practicable Date (note vi); and
 - b. 167,229,341 Offer Shares (note iii)
- viii. The number of Shares used for the calculation of adjusted unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company after the Open Offer after taking into account the Irrevocable Undertakings, the CN Holder Undertaking and the Option Undertaking and assuming all Non-Concert Party Held Options are exercised on or before the Record Date per Share is based on 1,244,420,390 Shares calculated as follows:
 - a. 1,003,376,049 Shares in issue as at the Latest Practicable Date (note vi)
 - b. 177,774,341 Offer Shares (note v); and
 - c. 63,270,000 new Shares issued on exercise of all the Non-Concert Party Held Options on or before the Record Date (note v)

2. REPORT ON UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**Deloitte.****德勤****ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP****TO THE DIRECTORS OF DRAGON HILL WULING AUTOMOBILE HOLDINGS LIMITED**

We report on the unaudited pro forma statement of consolidated net tangible assets (“Unaudited Pro Forma Financial Information”) of Dragon Hill Wuling Automobile Holdings Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Part 1 of Appendix II to the Prospectus of the Company dated 9 March 2011 (the “Prospectus”), in connection with the open offer of not less than 167,229,341 offer shares and not more than 177,774,341 offer shares of par value of HK\$0.004 each at the subscription price of HK\$0.9 per offer share (the “Open Offer”) on the basis of one offer Share for every six Shares held on the Record Date (as defined in the Prospectus), which has been prepared by the Directors of the Company for illustration purpose only, to provide information about how the Open Offer might have affected the financial information presented, for inclusion in Appendix II of the Prospectus. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Part 1 of Appendix II to the Prospectus.

Respective responsibilities of Directors of the Company and reporting accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Form Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rule, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustment are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustration purpose only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 9 March 2011

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and the Open Offer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Share capital of the Company

(a) Share capital as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>100,000,000</u>
<u>1,521,400,000</u>	Convertible preference shares of HK\$0.001 each	<u>1,521,400</u>
<i>Issued and fully paid:</i>		
<u>1,003,376,049</u>	Shares	<u>4,013,504</u>

(b) Share capital upon the completion of the Open Offer 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

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>100,000,000</u>
<u>1,521,400,000</u>	Convertible preference shares of HK\$0.001 each	<u>1,521,400</u>
<i>Issued and fully paid:</i>		
1,003,376,049	Shares at the Latest Practicable Date	4,013,504
<u>167,229,341</u>	Offer Shares to be issued pursuant to the Open Offer	<u>668,917</u>
<u>1,170,605,390</u>	Shares upon completion of the Open Offer	<u>4,682,421</u>

- (c) *Share capital upon the completion of the Open Offer after taking into account the CN Holder Undertaking, the Option Undertaking and assuming all the Non-Concert Party Held Options are exercised on or before the Record Date*

<i>Authorised:</i>		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>100,000,000</u>
<u>1,521,400,000</u>	Convertible preference shares of HK\$0.001 each	<u>1,521,400</u>
<i>Issued and fully paid:</i>		
1,003,376,049	Shares at the Latest Practicable Date	4,013,504
63,270,000	new Shares to be issued upon exercise of all Non-Concert Party Held Options	253,080
<u>177,774,341</u>	Offer Shares to be issued upon pursuant to the Open Offer	<u>711,097</u>
<u>1,244,420,390</u>	Shares upon completion of the Open Offer	<u>4,977,681</u>

Except for a total of 84,008,000 Shares issued pursuant to completion of placing of new Shares on 12 March 2010 and a total of 2,080,000 Shares issued on 1 November 2010 pursuant to the exercise of share options of the Company, since 31 December 2009, the date to which the latest audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date, there had not been any new issue of Shares.

All issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing issued Shares.

Share options

As at the Latest Practicable Date, the Company has the following outstanding Options held by the Directors, the employees and advisors of the Group:

Date of grant	Exercise price		Exercisable Period		No. of Shares which may fall to be issued upon exercise of the Options
	Per Share	HK\$	From	To	
29 December 2009	1.07		30 December 2009	31 December 2012	2,500,000
29 December 2009	1.07		21 January 2010	31 December 2012	34,870,000
29 December 2009	1.07		30 December 2010	31 December 2013	2,500,000
29 December 2009	1.07		21 January 2011	31 December 2013	36,950,000

Notes:

- At the Latest Practicable Date, certain Options carrying subscription rights to subscribe for a total of 13,550,000 Shares are held by parties acting in concert with the Underwriter, including (i) Mr. Sun Shaoli, who is a director of the Underwriter, as well as an Executive Director and the Chairman of the Company; (ii) Mr. Wei Hongwen, who is a director of the Underwriter and an executive Director; (iii) Mr. Zhong Xianhua, who is a senior management of the Underwriter and the executive Director; (iv) five other individuals who hold directorships and/or senior management posts in the Underwriter and/or its holding companies (including an ex-director of Liuzhou Wuling who retired as a director thereof on 21 January 2011); and (v) Mr. Lee Shing (who is an executive Director, the Vice-chairman and the Chief Executive Officer of the Company as well as the ultimate beneficial owner of Dragon Hill) and his spouse. 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.
- As at the Latest Practicable Date, certain other Directors, 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 63,270,000 Shares.
- Upon the Open Offer becoming unconditional, the exercise prices and number of the outstanding Share Options will be subject to adjustments. Further announcement will be made in this regard.

Convertible notes

As at the Latest Practicable Date, the Existing Convertible Notes with an aggregate principal amount of HK\$100,000,000, which are convertible into a total of 136,986,300 Shares during the four-year period commencing from 12 January 2010 at the existing conversion price of HK\$0.73 per Share, were outstanding. 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).

Save as disclosed above, the Company did not have any other derivatives, options, warrants and other convertible securities or rights convertible into Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(I) Directors and Chief Executive of the Company

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

Long positions in respect of the Shares:

Name of Directors	Capacity	Number of Shares held	Approximate % of the issued share capital (Note 3)
Mr. Lee Shing	Held by controlled corporation (Note 1)	281,622,914	22.63%
Mr. Zhou Sheji	Held by controlled corporation (Note 2)	44,770,000	3.60%

Notes:

- (1) Among those 281,622,914 Shares, 259,959,613 Shares are currently held by Dragon Hill, a company owned by Mr. Lee Shing solely, and the remaining 21,663,301 Shares will be subscribed by Dragon Hill pursuant to the Irrecoverable Undertaking 2 under the Open Offer.
- (2) The 44,770,000 Shares are owned by Gao Bao Development Limited, a company owned by Mr. Zhou Sheji solely.
- (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.

Long positions in respect of the Options:

Name of Directors	Capacity	Number of options granted	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	From 21 January 2011 to 31 December 2013		
		1,800,000			
Mr. Lee Shing	Beneficial owner	900,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		900,000	From 21 January 2011 to 31 December 2013		
		1,800,000			
	Family interest (Note)	350,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		350,000	From 21 January 2011 to 31 December 2013		
		700,000			
Mr. Wei Hongwen	Beneficial owner	800,000	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.07
		800,000	From 21 January 2011 to 31 December 2013		
		1,600,000			
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			

Name of Directors	Capacity	Number of options granted	Exercise period	Price of grant	Subscription price per Share
Mr. Zhuo Sheji	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 Options are held by the spouse of Mr. Lee Shing.

(II) Substantial Shareholders

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

Long Positions

Name of Shareholders	Capacity	Nature of interest	Number of Shares held	Approximate % of the issued share capital
Dragon Hill (<i>Note 1</i>)	Beneficial owner	Corporate	281,622,914	22.63%
Wuling (Hong Kong) Holdings Limited (being the Underwriter) (<i>Notes 2, 3 and 4</i>)	Beneficial owner	Corporate	456,399,040	36.68%
		Unlisted derivatives	136,986,300	11.01%
		Total	593,385,340	47.69%
Wuling Motors (<i>Notes 2, 3 and 4</i>)	Interest in controlled corporation	Corporate	456,399,040	36.68%
		Unlisted derivatives	136,986,300	11.01%
		Total	593,385,340	47.69%
Liuzhou Wuling (<i>Notes 2, 3 and 4</i>)	Interest in controlled corporation	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 Shing, an executive Director, the Vice-chairman and the Chief Executive Officer of the Company. Accordingly, this parcel of Shares of the Company has also been disclosed as long position of Mr. Lee under the above section headed “(I) Directors and Chief Executive of the Company”.
- (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 adjustments).
- (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.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had service contract with the Company or any of its subsidiaries or associated companies which are not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the issue of this Prospectus which are or may be material:

- (i) the guarantee agreement entered into by Wuling Industrial in favour of China Construction Bank on 23 June 2009 as a condition to a revolving banking facilities upto a maximum amount of RMB200 million granted by China Construction Bank to Liuzhou Wuling, details of which were disclosed in the announcements of the Company made on 2 July 2008 and 23 June 2009;
- (ii) the renewed tenancy agreement entered into between Wuling Industrial (as tenant) and Liuzhou Wuling (as landlord) on 13 November 2009, as extended from the then existing tenancy agreement, in connection with the leasing of 12 parcels of land and 69 buildings located in Liuzhou, Guangxi, the PRC, by Liuzhou Wuling to Wuling Industrial for the occupancy of such parcels of land and buildings by the Wuling Industrial Group for its business and operations for a period of three years ending on 31 December 2012 at an annual rental of not more than RMB30,205,000, details of which were disclosed in the announcement of the Company made on 13 November 2009;
- (iii) the renewed patent agreement entered into between Wuling Industrial (as lessee) and Liuzhou Wuling (as lessor) on 21 December 2009, as extended from the then existing patent agreement, in relation to the grant of a total number of 167 types of patent rights and know-how of Liuzhou Wuling for use by the Wuling Industrial Group in its trading and manufacturing activities of engines, automotive components and specialized vehicles, and other related businesses for a term of three years ending on 31 December 2012 at an annual license fee of RMB1,300,000, details of which were disclosed in the announcement of the Company made on 21 December 2009;

- (iv) the renewed trademark agreement entered into between Wuling Industrial (as lessee) and Liuzhou Wuling (as lessor) on 21 December 2009, as extended from the then existing trademark agreement, in relation to the licensing of 2 registered trademarks of Liuzhou Wuling to Wuling Industrial for use by the Wuling Industrial Group for a term of three years ending on 31 December 2012 at an annual license fee of RMB2,000,000, details of which were disclosed in the announcement of the Company made on 21 December 2009;
- (v) the placing agreement dated 21 January 2010 entered into between the Company and SBI E2-Capital Securities Limited in relation to the placing of a maximum number of 170,000,000 new Shares by SBI E2-Capital Securities Limited at HK\$0.85 per Share on a best effort basis (subject to the consent of the Company and SBI E2-Capital Securities Limited, such maximum number of 170,000,000 new Shares may be increased by any shortfall of the Shares that have not been placed by Celestial Securities Limited under the placing agreement entered into between the Company and Celestial Securities Limited, as below mentioned, details of which were set out in the Company's announcements dated 21 January 2010, 4 March 2010 and 12 March 2010);
- (vi) the placing agreement dated 21 January 2010 entered into between the Company and Celestial Securities Limited in relation to the placing of a maximum number of 50,000,000 new Shares by Celestial Securities Limited at HK\$0.85 per Share on a best effort basis (subject to the consent of the Company and Celestial Securities Limited, such maximum number of 50,000,000 new Shares may be increased by any shortfall of the Shares that have not been placed by SBI E2-Capital Securities Limited under the placing agreement entered into between the Company and SBI E2-Capital Securities Limited, as above mentioned, details of which were set out in the Company's announcements dated 21 January 2010, 4 March 2010 and 12 March 2010);
- (vii) the subscription agreement dated 21 January 2010 entered into between the Company and the Underwriter in relation to the subscription of a maximum number of 95,100,000 new Shares at HK\$0.85 per Share, of which the final number is to be determined in accordance with the final number of placed Shares pursuant to the placing agreements as set out in (v) and (vi) above, details of which were set out in the Company's announcements dated 21 January 2010, 4 March 2010 and 12 March 2010;
- (viii) the four tenders submitted by Wuling Industrial on 30 July 2010 to 柳州市國土資源局 (Liuzhou Bureau of Land Resources#) for the purpose of acquiring four pieces of lands in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, with a total site area of 415,034.55 square metres at a total consideration of RMB140,550,000 which are planned to be used by the Wuling Industrial Group for its future capacity expansion programs, details of which were disclosed in the announcements of the Company made on 30 July 2010 and 10 August 2010;

- (ix) the Acquisition Agreements (as defined and detailed under the section “Reasons for the Open Offer and Use of Proceeds” in the Letter from the Board) entered into between Wuling Industrial as the purchaser and 青島聯恆汽車零部件有限公司 (Qingdao Lianheng Automotive Components Co. Limited (Note)) and 青島聯成精密模具有限公司 (Qingdao Liancheng Precision Mold Co. Limited (Note)) as the vendors in relation to the acquisition of certain properties in Qingdao, 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, details of which were disclosed in the announcements of the Company made on 30 July 2010 and 31 December 2010; and
- (x) the Underwriting Agreement.

(Note: the English names are for identification only)

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 Shing, an executive Director, the Vice-chairman and Chief Executive Officer of the Company, 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 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 since 31 December 2009 (being the date to which the latest published accounts of the Company were made up).

As at the Latest Practicable Date, save as the Underwriting Agreement entered into between the Company and the Underwriter 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 the Underwriter, on 29 December 2010, and (ii) Dragon Hill, a substantial Shareholder which is wholly and beneficially owned by Mr. Lee Shing, is a party acting in concert with the Underwriter, 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. MATERIAL CHANGE

The Directors confirm that there have been no material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. MATERIAL LITIGATION AND ARBITRATION PROCEEDINGS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. COMPETING INTEREST

- (i) Mr. Lee Shing, 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.

- (ii) Mr. Wei Hongwen, 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.

10. EXPERT AND CONSENT

- (a) The following is the qualification of the expert which has given its opinions and advice which are included in this Prospectus:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountant

- (b) Deloitte Touche Tohmatsu did not have any shareholding directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of the references to its letter/opinion or report(s) and references to its name in the form and context in which they are included in this Prospectus.
- (d) Deloitte Touche Tohmatsu did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and consent" in this appendix, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda.

12. PARTICULARS OF DIRECTORS

The brief biographies of the Directors are set out below:

Executive Directors***Sun Shaoli***

Mr. Sun, aged 55, Chairman of the Board, was appointed as an executive Director on 10 September 2007. Mr. Sun obtained a master degree in business administration from Harbin Industrial University in 1988 and is a senior economist. Mr. Sun has more than 28 years of experience in the automobile manufacturing industry. Mr. Sun is currently the chairman of the board of directors of Liuzhou Wuling, a director of each of Wuling Motors (Hong Kong)

Company Limited (“Wuling Motors HK”) and Wuling (Hong Kong) Holdings Limited (being the Underwriter), which are direct and indirect wholly-owned subsidiaries of Liuzhou Wuling. The Underwriter is currently a substantial Shareholder which is beneficially interested in approximately 29.93% of the total issued share capital of the Company. Mr. Sun is also currently the chairman of the board of directors of Wuling Industrial and Liuzhou Wuling Liuji Motors Company Limited (“Wuling Liuji”, a subsidiary of Wuling Industrial). Wuling Industrial is a joint venture formed by the Company and Liuzhou Wuling and is also a principal subsidiary of the Company.

Lee Shing

Mr. Lee, aged 53, Vice-chairman of the board of directors and the Chief Executive Officer, was appointed as an executive Director on 22 June 2006. Mr. Lee has extensive experience in the trading and manufacturing business in Hong Kong and the PRC. Mr. Lee is also a director of Wuling Industrial, as well as a director of each of Wuling Liuji, Liuzhou Wuling Motors United Development Limited (“Wuling United”) and Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited (“Wuling Specialized Vehicles”), all being subsidiaries of Wuling Industrial. Besides, he is currently a member of the Committee of the Chinese People’s Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is the sole shareholder and sole director of Dragon Hill, a substantial Shareholder, and the chairman of the board of directors and the acting chief executive officer of Grand TG Gold Holdings Limited (Stock Code: 8299), a company listed on the GEM board of The Stock Exchange of Hong Kong Limited.

Wei Hongwen

Mr. Wei, aged 48, was appointed as an executive Director on 10 September 2007. Mr. Wei obtained a master degree in economics from Sun Yat-Sen University in 1995 and is a professor level senior engineer. Mr. Wei has more than 28 years of experience in the automobile manufacturing industry. He is currently a director and the general manager of Wuling Industrial and the chairman of the board of directors of each Wuling United and Wuling Specialized Vehicles, and a director of Wuling Liuji, all being subsidiaries of Wuling Industrial. Mr. Wei is in charge of the daily operations of our specialized vehicles, automotive engines and components manufacturing business. Mr. Wei is also a director and the chief executive of Liuzhou Wuling, and a director of Wuling Motors HK and the Underwriter, being substantial Shareholders. Mr. Wei is also a director of SGMW, which is a joint venture formed among Shanghai Automobile Industry (Group) Company, General Motors China and Liuzhou Wuling.

Zhong Xianhua

Mr. Zhong, aged 52, was appointed as an executive Director on 4 January 2010. Mr. Zhong is currently a director of Wuling Industrial and the vice president of Liuzhou Wuling, a substantial Shareholder. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer and has over 23 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

Liu Yaling

Ms. Liu, aged 35, was appointed as an executive Director on 22 June 2006. Ms. Liu has a post graduate education background. She is a qualified accountant in the PRC specializing in financial management. Ms. Liu gains her working experience in the automobile manufacturing industry and has approximately 12 years of experience in the finance and accounting profession in the PRC. Ms. Liu is a member of the International Association of Registered Financial Planners and an associate member of the Institute of Financial Accountants.

Zhou Sheji

Mr. Zhou, aged 53, was appointed as an executive Director on 10 October 2008. Mr. Zhou holds a bachelor degree in mechanical engineering and a master degree in business administration. Mr. Zhou has more than 22 years of experience in the management of a number business sectors in China such as construction, international trade and information technology sectors. He is currently a vice general manager of Wuling Industrial, our principal subsidiary. Mr. Zhou is the sole shareholder and sole director of Gao Bao Development Limited, which has beneficial interests in the Company.

Independent non-executive Directors*Yu Xiumin*

Mr. Yu, aged 50, was appointed as an independent non-executive Director on 22 June 2006. Mr. Yu holds a doctorate degree in engineering and has extensive experiences in the research and teaching aspects of the automobile engineering. Mr. Yu is currently a member of the Audit Committee and the Remuneration Committee.

Zuo Duofu

Mr. Zuo, aged 67, was appointed as an independent non-executive Director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has over 26 years of experience in the media industry in the PRC. He is currently a representative of Congress of Writers' Representatives in Guangdong and a member of president group of Guangdong Writer Association. Mr. Zuo is currently the chairman of the Remuneration Committee and a member of the Audit Committee.

Ye Xiang

Mr. Ye, aged 47, was appointed as an independent non-executive Director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited ("Vision Gain"), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 15 years of experience in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his founding of Vision Gain, Mr. Ye was the Director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye is currently the chairman of the Audit Committee and a member of the Remuneration Committee.

13. CORPORATE INFORMATION

Head office and principal place of business	Unit 2805-06 28th Floor Office Tower Convention Plaza No. 1 Harbour Road Wanchai Hong Kong
Registered office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Authorised representatives	Mr. Lee Shing Block A, 6/F, Victoria Court 50-56 Hing Fat Street Hong Kong Ms. Liu Yaling Flat H, 13/F, Southern Building 257-271 King's Road Hong Kong
Company secretary	Mr. Lai Shi Hong, Edward HKICPA, ICAEW, FCCA
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road, Hong Kong Bank of Communications Co., Ltd. – Hong Kong Branch 231 – 235 Gloucester Road, Wanchai, HK The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central, HK Hang Seng Bank Limited 83 Des Voeux Road Central, HK Agricultural Bank of China Limited – Liuzhou Branch 47 Sanzhong Road, Liuzhou, Guangxi, the PRC China Construction Bank Corporation – Liuzhou Branch 2 Beizhan Road, Liuzhou, Guangxi, the PRC

	Bank of China Limited – Liuzhou Branch 178 Pingshan Dadao, Liuzhou, Guangxi, the PRC
Principal share registrar and transfer agent	Butterfield Fund Services (Bermuda) Limited Rosebank Center 11 Bermudianna Road Pembroke HM08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen’s Road East Wanchai Hong Kong

14. PARTIES INVOLVED IN THE OPEN OFFER

Underwriter	Wuling (Hong Kong) Holdings Limited 44/F, Edinburgh Tower The Landmark 15 Queen’s Road Central Hong Kong
Financial adviser to the Company	Celestial Capital Limited 21/F Low Block, Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
Legal advisers to the Company	<i>As to Hong Kong Law</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong <i>As to Bermuda Law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35/F One Pacific Place 88 Queensway Hong Kong

15. EXPENSES

The expenses in connection with the Open Offer, including the legal fees, accountants' fees, fees of the coordinator for the Open Offer and printing costs are estimated to be approximately HK\$3,200,000 and are payable by the Company.

16. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by the shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any week day, except Saturdays, Sundays and public holidays at the principal place of business of the Company in Hong Kong at Unit 2805-06, 28th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong from the date of this Prospectus up to and including the Final Acceptance Date.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the 2008 and 2009 annual reports of the Company containing audited consolidated financial statements of the Group for the two years ended 31 December 2008 and 2009;
- (c) the interim report of the Group for the six months ended 30 June 2010;
- (d) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information following completion of the Open Offer, the text of which is set out in appendix II to this Prospectus;
- (e) the material contracts referred to in the paragraph headed "5. Material contracts" in this appendix;
- (f) the Irrevocable Undertakings given by the Underwriter and Dragon Hill;
- (g) the written consent referred to in the paragraph headed "Expert and consent" in this appendix; and
- (h) the written consent of Celestial Capital Limited stating it has given and has not withdrawn its written consent to the publication of its name and logo in this Prospectus;
- (i) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since the date of the latest published audited accounts; and
- (j) this Prospectus.