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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular 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 circular and the accompanying form of proxy 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.

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

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

**DISCLOSEABLE AND CONNECTED TRANSACTION:  
CAPITAL INJECTION INTO A JOINT VENTURE COMPANY IN THE PRC**

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



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Terms used in this cover shall have the same meaning as defined in this circular.

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from Guangdong Securities, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 21 of this circular.

A notice convening the SGM to be held at 4:30 pm on Friday, 27 May 2011 (or immediately after the conclusion of the annual general meeting of the Company which is scheduled to be held on the same day at 3:30 pm) at the Ballroom, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong is set out on pages 29 and 30 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

\* *For identification purpose only*

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## DEFINITIONS

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

“Acquisition Agreements”	the agreements relating to the Qingdao Acquisition entered into among the Company and the vendors thereof on 30 July 2010 (as supplemented by a supplemental agreement by the Company and the vendors on 31 December 2010)
“Announcement”	the announcement of the Company dated 21 April 2011 in relation to the WI Capital Increase
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent to the completion of the WI Capital Increase
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	controlling shareholder(s) (has the same meaning ascribed to it under the Listing Rules) of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, namely Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang, formed to advise the Independent Shareholders in respect of the WI Capital Increase Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the WI Capital Increase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Liuzhou Wuling, Wuling Industrial and their respective associates
“Latest Practicable Date”	6 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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 beneficial controlling Shareholder
“Open Offer”	the open offer of the Company completed in March 2011, details of which are contained in the Open Offer Circular and the Open Offer Prospectus
“Open Offer Circular”	the circular of the Company dated 15 February 2011 in relation to the Open Offer
“Open Offer Prospectus”	the prospectus of the Company dated 9 March 2011 in relation to the Open Offer
“Post Acquisition Expansion Programmes”	the development of the land acquired under the Qingdao Acquisition for the planned capacity expansion programmes of the Wuling Industrial Group, details of which are set out in the paragraph headed “Reasons for the WI Capital Increase” of this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC

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## DEFINITIONS

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“Qingdao Acquisition”	the acquisition of certain properties by Wuling Industrial in Qingdao, details of which are set out in the paragraph headed “Reasons for the WI Capital Increase” of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on 27 May 2011 for the purpose of, among other things, approving the WI Capital Increase Agreement and the transactions contemplated thereunder by the Independent Shareholders
“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
“substantial Shareholder(s)”	substantial shareholder(s) (has the same meaning ascribed to it under the Listing Rules) of the Company
“WI Capital Increase”	the proposed increase in the registered and paid up capital of Wuling Industrial by a total amount of RMB193,000,000 (equivalent to approximately HK\$230,056,000) from RMB767,000,000 (equivalent to approximately HK\$914,264,000) to RMB960,000,000 (equivalent to approximately HK\$1,144,320,000) to be contributed by the Company and Liuzhou Wuling based on their respective equity interests in Wuling Industrial
“WI Capital Increase Agreement”	the conditional agreement dated 21 April 2011 entered into among the Company, Liuzhou Wuling and Wuling Industrial in relation to the WI Capital Increase
“Wuling HK”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder which was beneficially interested in approximately 37.05% of the issued share capital of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Liuzhou Wuling

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## DEFINITIONS

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“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
“Wuling Motors”	Wuling Motors (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability. It is a wholly-owned subsidiary of Liuzhou Wuling and the immediate holding company of Wuling HK by holding its entire issued share capital
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percent.

*In this circular, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at HK\$1.192 = RMB1.000 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*

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## LETTER FROM THE BOARD

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

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

*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

11 May 2011

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION: CAPITAL INJECTION TO A JOINT VENTURE COMPANY IN THE PRC**

#### **INTRODUCTION**

Reference is made to the Announcement in relation to the WI Capital Increase.

Wuling Industrial is a non-wholly owned subsidiary of the Company the registered and paid up capital of which is owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Pursuant to the WI Capital Increase Agreement entered into by the parties thereto on 21 April 2011, the Company and Liuzhou Wuling have conditionally agreed the WI Capital Increase by increasing the registered and paid up capital of Wuling Industrial from RMB767,000,000 (equivalent to approximately HK\$914,264,000) to RMB960,000,000 (equivalent to approximately HK\$1,144,320,000).

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The WI Capital Increase which involves a total amount of RMB193,000,000 (equivalent to approximately HK\$230,056,000) will be contributed as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Upon completion of the WI Capital Increase, the equity interests of the Company and Liuzhou Wuling shall remain at the existing level of approximately 50.98% and 49.02%, respectively. As detailed in the following paragraph headed “Implications of the Listing Rules”, the execution of the WI Capital Increase Agreement by the Company, Liuzhou Wuling and Wuling Industrial, together with the transactions contemplated thereunder, constitutes a discloseable and non-exempted connected transaction for the Company which are subject to requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules. Liuzhou Wuling and Wuling Industrial, being connected persons of the Company, together with their respective associates will abstain from voting on the resolution in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

The purpose of this circular is to provide you with, among other things, (i) details of the WI Capital Increase Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in relation to the WI Capital Increase; (iii) the letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders containing its advice and recommendations on the WI Capital Increase; (iv) other information on the Group; and (v) the notice of the SGM.

### WI CAPITAL INCREASE AGREEMENT

1. **Date:** 21 April 2011
2. **Parties to the Agreement:**
  - (a) The Company;
  - (b) Liuzhou Wuling; and
  - (c) Wuling Industrial.

Liuzhou Wuling is the holding company of Wuling HK, the controlling Shareholder which is currently interested in approximately 37.05% of the total issued share capital of the Company. In addition, Liuzhou Wuling owns approximately 49.02% equity interest in Wuling Industrial, a non-wholly owned subsidiary of the Company. Accordingly, both Liuzhou Wuling and Wuling HK are the connected persons of the Company.

3. **WI Capital Increase and payment terms:**

Wuling Industrial, a limited company established in the PRC, is a non-wholly owned subsidiary of the Company and the existing registered and paid up capital of which is owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Pursuant to the WI Capital Increase Agreement, the parties thereto have conditionally agreed to the WI Capital Increase, involving the increase of the registered and paid up capital of Wuling Industrial by an aggregate amount of



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## LETTER FROM THE BOARD

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RMB193,000,000 (equivalent to approximately HK\$230,056,000) from RMB767,000,000 (equivalent to approximately HK\$914,264,000) to RMB960,000,000 (equivalent to approximately HK\$1,144,320,000). The Company and Liuzhou Wuling will be responsible for contributing in cash of RMB98,390,000 (equivalent to approximately HK\$117,281,000) and RMB94,610,000 (equivalent to approximately HK\$112,775,000) respectively towards the WI Capital Increase. The respective contributions of the Company and Liuzhou Wuling towards the WI Capital Increase was determined in proportion to their respective equity interests in the existing registered and paid up capital of Wuling Industrial. Upon completion of the WI Capital Increase, the equity interests of the Company and Liuzhou Wuling will remain at the existing level of approximately 50.98% and 49.02% respectively.

Subject to fulfillment of the Conditions Precedent in full, the Company and Liuzhou Wuling should fully pay their respective contributions towards the WI Capital Increase within 30 days from the date of approvals relating to the WI Capital Increase granted to Wuling Industrial by the relevant government authorities of the PRC.

All payments made for the WI Capital Increase by the Company will be settled in Hong Kong dollars.

#### **4. Conditions Precedent:**

The WI Capital Increase Agreement is conditional upon the following Conditions Precedent being satisfied on or before 30 July 2011 or such later date as the parties to the WI Capital Increase Agreement may otherwise agree:

- (a) all documents necessary for the WI Capital Increase, including the WI Capital Increase Agreement and the amended articles of association of Wuling Industrial, having been duly executed by the Company, Liuzhou Wuling and Wuling Industrial in accordance with the applicable laws and rules;
- (b) all permissions and approvals in respect of the WI Capital Increase having been obtained by Liuzhou Wuling from the relevant PRC governmental authorities;
- (c) the passing by the Independent Shareholders of a resolution to approve the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM; and
- (d) the WI Capital Increase having been unanimously approved by the board of directors of Wuling Industrial, and having been reported to and registered with the relevant government authorities in the PRC.

None of the Conditions Precedent can be waived. If the Conditions Precedent are not satisfied in full before 30 July 2011 or such later date as the parties to the WI Capital Increase Agreement may otherwise agree, the WI Capital Increase Agreement will lapse, and none of the parties thereto shall have any claim against the others in respect of the WI Capital Increase. As at the Latest Practicable Date, none of the Conditions Precedent have been fulfilled.

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## LETTER FROM THE BOARD

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### 5. Others:

Subject to applicable PRC laws and regulations, each of the Company and Liuzhou Wuling may transfer all or part of its equity interest in, and contribution to the registered and paid up capital of, Wuling Industrial to the other or to any third party(ies). The Company and Liuzhou Wuling will have the first rights of refusal to acquire the other's equity interest in, and contribution to the registered capital and paid up of, Wuling Industrial in any proposed transfer by the other party.

### INFORMATION ON WULING INDUSTRIAL

Wuling Industrial was established on 30 October 2006 as a state-owned limited company in PRC, and was converted into a sino-foreign joint venture on 17 August 2007 which is currently owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. As at the Latest Practicable Date, both the registered and paid up capital of Wuling Industrial were RMB767,000,000 (equivalent to approximately HK\$914,264,000).

Wuling Industrial and its subsidiaries are 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. It is a non-wholly owned subsidiary of the Company.

Based on the audited financial information, net profit before and after taxation and extraordinary items of the Wuling Industrial Group were approximately RMB246,395,000 and RMB198,278,000 respectively for the year ended 31 December 2010, and were approximately RMB226,662,000 and RMB201,857,000 respectively for the year ended 31 December 2009, whereas, total net assets of the Wuling Industrial Group as at 31 December 2010 and 31 December 2009 were approximately RMB1,166,809,000 and RMB1,086,673,000 respectively.

### INFORMATION ON LIUZHOU WULING

Liuzhou Wuling, the ultimate beneficial controlling Shareholder, through its indirect wholly-owned subsidiary Wuling HK, is currently beneficially interested in approximately 37.05% of the total issued share capital of the Company. Liuzhou Wuling is a wholly state-owned limited liability company established in the PRC with the State-owned Assets Supervisions and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region\* (廣西壯族自治區人民政府國有資產監督管理委員會) being its registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region\* (廣西壯族自治區人民政府). Liuzhou Wuling, its subsidiaries and associated companies are principally engaged in the property rental, trading and manufacturing of motor vehicle engines, parts and special mini-vehicles, machinery design, repair and installation services, and other related technical support, information technology and ancillary services.

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## LETTER FROM THE BOARD

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### REASONS FOR THE WI CAPITAL INCREASE

The Company, through Wuling Industrial which is its approximately 50.98% owned subsidiary, is principally engaged in manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading and supply services of raw materials, water and power in the PRC.

The Company announced on 30 July 2010 the Qingdao Acquisition, which involves the acquisition of certain properties by Wuling Industrial in Qingdao, including three pieces of land, one factory complex (including supporting facilities and annex) as well as certain assets (comprising production facilities and machinery for the production of automotive components) and the entering into of the Acquisition Agreements in relation thereto by the Company and the vendors thereof. As detailed in the Open Offer Circular and the Open Offer Prospectus, Wuling Industrial has intended to implement the Post Acquisition Expansion Programmes by further developing the land acquired under the Qingdao Acquisition for the planned capacity expansion programmes of the Wuling Industrial Group commencing from year 2011 onwards upon completion of the Qingdao Acquisition. Without taking into account other on-going capacity expansion programmes which will take place simultaneously, 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 be increased by 300,000 units a year, representing an approximately 30% increase based on the then existing production capacity. Based on current estimations, the Post Acquisition Expansion Programmes will have a funding requirement for planned capital expenditures of approximately RMB340,000,000 (equivalent to approximately HK\$405,280,000). 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 by a total of RMB193,000,000 (equivalent to approximately HK\$230,056,000); and
- (2) internal resources of the Wuling Industrial Group in respect of the balance of approximately RMB147,000,000 (equivalent to approximately HK\$175,224,000).

In order to maintain its approximately 50.98% equity interests in Wuling Industrial, the Company entered into the WI Capital Increase Agreement pursuant to which it has conditionally agreed to contribute RMB98,390,000 (equivalent to approximately HK\$117,281,000), representing approximately 50.98% of the WI Capital Increase.

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## LETTER FROM THE BOARD

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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 such key customer and other new customers will continue to grow in the coming years, they are of the opinion that it is essential for Wuling Industrial to undertake active capacity expansion programmes in Qingdao, and that the Post Acquisition Expansion Programmes will be beneficial to the Group as it will enable the Group (through the 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 the entering into of the WI Capital Increase Agreement by the Company and its contribution towards the WI Capital Increase, which is proportionate to its approximately 50.98% equity interest in Wuling Industrial, will preserve its equity interest in Wuling Industrial and thus preserve the value of the Company's investment in Wuling Industrial without incurring dilution. The Directors consider that the terms of the WI Capital Increase Agreement, including the proportionate contributions of the Company and Liuzhou Wuling towards the WI Capital Increase, which are determined after arms' length negotiation among the parties to the WI Capital Increase Agreement, are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Company intends to finance its contribution towards the WI Capital Increase in the total amount of RMB98,390,000 (equivalent to approximately HK\$117,281,000) by applying the net proceeds from the Open Offer.

### IMPLICATIONS OF THE LISTING RULES

As at the Latest Practicable Date, Liuzhou Wuling was the ultimate holding company of Wuling HK, holding 433,651,975 Shares which represent approximately 37.05% of the issued share capital of the Company. Thus Liuzhou Wuling is regarded as a connected person of the Company under the Listing Rules. In addition, Liuzhou Wuling owns approximately 49.02% equity interest in Wuling Industrial, a non-wholly owned subsidiary of the Company. Therefore, Wuling Industrial is also regarded as a connected person of the Company under the Listing Rules. Accordingly, the execution of the WI Capital Increase Agreement by the Company, Liuzhou Wuling and Wuling Industrial, together with the contribution by the Company towards the WI Capital Increase contemplated thereunder, constitutes a connected transaction for the Company. Since one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) is more than 5% but less than 25% and the total contribution to be made by the Company towards the WI Capital Increase is more than HK\$10,000,000, the WI Capital Increase Agreement, together with the WI Capital Increase contemplated thereunder, constitutes a discloseable transaction and a non-exempt connected transaction for the Company and the WI Capital Increase is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules. In view of the interests of Liuzhou Wuling and Wuling Industrial in the WI Capital Increase Agreement, Liuzhou Wuling, Wuling Industrial and their respective associates will abstain from voting on the resolution in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

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## LETTER FROM THE BOARD

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The following executive Directors have voluntarily abstained from voting on all board resolutions of the Company relating to the WI Capital Increase Agreement and the transactions contemplated thereunder, including but not limited to the WI Capital Increase, as a result of their respective roles in Liuzhou Wuling and their respective associates:

- (a) Mr. Sun Shaoli, who is also the chairman of the board of directors of Liuzhou Wuling, a director of each of Wuling Motors and Wuling HK;
- (b) Mr. Wei Hongwen, who is also a director and the chief executive of Liuzhou Wuling, a director of each of Wuling Motors and Wuling HK; and
- (c) Mr. Zhong Xianhua, who is also the vice president of Liuzhou Wuling.

### SGM

A notice convening the SGM to be held at 4:30 pm on Friday, 27 May 2011 (or immediately after the conclusion of the annual general meeting of the Company which is scheduled to be held on the same day at 3:30 pm) at the Ballroom, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong, at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the WI Capital Increase Agreement and the transaction contemplated thereunder, is set out on pages 29 and 30 of this circular.

A form of proxy for use in the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same at the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

The ordinary resolution as set out in the notice of the SGM will be put to the vote of the Independent Shareholders by poll. An announcement will be made by the Company following the conclusion of the SGM to inform you of its results.

### RECOMMENDATION

The Independent Board Committee comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the WI Capital Increase Agreement and the transactions contemplated thereunder and as to how to vote at the SGM. Guangdong Securities has been appointed to give its advice and recommendations to the Independent Board Committee and the Independent Shareholders in this regard. The respective letters from the Independent Board Committee and Guangdong Securities are set out on page 13 and pages 14 to 21 of this circular respectively. You are advised to read the letters carefully before making your voting decision.

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## LETTER FROM THE BOARD

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The Independent Board Committee, after taking into account the advice and recommendations of Guangdong Securities, consider that the terms of the WI Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the WI Capital Increase Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

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

\* *For identification purpose only*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

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

11 May 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:  
CAPITAL INJECTION INTO A JOINT VENTURE COMPANY IN THE PRC**

We refer to the circular of the Company dated 11 May 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders on the fairness and reasonableness of the terms of the WI Capital Increase Agreement and the WI Capital Increase. Guangdong Securities has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendations from Guangdong Securities, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendations, are set out in the “Letter from Guangdong Securities” on pages 14 to 21 of the Circular.

Having taken into account the terms of the WI Capital Increase Agreement and the transactions contemplated thereunder, and the advice and recommendations of Guangdong Securities, we are of the opinion that the WI Capital Increase Agreement and the WI Capital Increase are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

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

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**  
**Mr. Yu Xiumin Mr. Zuo Duofu Mr. Ye Xiang**  
*Independent non-executive Directors*

\* *For identification purpose only*

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## LETTER FROM GUANGDONG SECURITIES

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*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the WI Capital Increase for the purpose of inclusion in this circular.*



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

11 May 2011

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION CAPITAL INJECTION TO A JOINT VENTURE COMPANY IN THE PRC**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the WI Capital Increase, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 May 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 21 April 2011, the Company, Liuzhou Wuling and Wuling Industrial entered into the WI Capital Increase Agreement for the purpose of increasing the registered and paid up capital of Wuling Industrial, a non-wholly owned subsidiary of the Company and the existing registered and paid up capital of which is owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively, from RMB767,000,000 to RMB960,000,000. The WI Capital Increase which involves a total amount of RMB193,000,000 (equivalent to approximately HK\$230,056,000) will be contributed as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling respectively. Accordingly, the respective equity interests of the Company and Liuzhou Wuling in the registered and paid up capital of Wuling Industrial will remain at the existing level of approximately 50.98% and 49.02% upon completion of the WI Capital Increase.



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## LETTER FROM GUANGDONG SECURITIES

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Liuzhou Wuling is the ultimate holding company of Wuling HK which holds 433,651,975 Shares, representing approximately 37.05% of the issued share capital of the Company. Thus Liuzhou Wuling is regarded as a connected person of the Company under the Listing Rules. In addition, Liuzhou Wuling owns approximately 49.02% equity interest in Wuling Industrial, a non-wholly owned subsidiary of the Company. Therefore Wuling Industrial is also regarded as a connected person of the Company under the Listing Rules. Accordingly, the execution of the WI Capital Increase Agreement by the Company, Liuzhou Wuling and Wuling Industrial, together with the contribution by the Company towards the WI Capital Increase contemplated thereunder, constitutes a connected transaction for the Company. Since one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) is more than 5% but less than 25% and the total contribution to be made by the Company towards the WI Capital Increase is more than HK\$10,000,000, the WI Capital Increase Agreement and the WI Capital Increase constitutes a discloseable transaction and a non-exempt connected transaction for the Company and the WI Capital Increase is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules. In view of the interests of Liuzhou Wuling and Wuling Industrial in the WI Capital Increase Agreement, Liuzhou Wuling, Wuling Industrial and their respective associates will abstain from voting on the resolution in relation to the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the WI Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the WI Capital Increase is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the WI Capital Increase Agreement and the transactions contemplated thereunder at the SGM. We, Guangdong Securities, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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## LETTER FROM GUANGDONG SECURITIES

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Wuling Industrial, Liuzhou Wuling or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the WI Capital Increase. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. Background of and reasons for the WI Capital Increase**

##### *Business overview of the Group*

With reference to the Board Letter, the Company, through Wuling Industrial which is its approximately 50.98% owned subsidiary, is principally engaged in manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading and supply services of raw materials, water and power in the PRC.

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## LETTER FROM GUANGDONG SECURITIES

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Set out below are the audited financial information of the Group for each of the two years ended 31 December 2010 as extracted from the Company's annual report for the year ended 31 December 2010 (the "Annual Report"):

	For the year ended 31 December 2010 <i>RMB'000</i>	For the year ended 31 December 2009 <i>RMB'000</i>	% change from 2009 to 2010
Revenue	11,063,390	9,888,856	11.88
Gross profit	1,080,156	871,899	23.89
Total comprehensive income for the year	191,207	108,945	75.51

From the above table, we noted that the revenue of the Group for the year ended 31 December 2010 increased by approximately 11.88% from approximately RMB9,888.86 million to RMB11,063.39 million. In addition, the total comprehensive income of the Group for the year ended 31 December 2010 increased by approximately 75.51% from approximately RMB108.95 million to RMB191.21 million.

With reference to the Annual Report and as advised by the Directors, the automobile market in the PRC continued to grow in 2010 buoyed by the resilient local economy and the vigorous stimulus programs launched by the PRC government. Favourable policies under the stimulus programs towards the PRC automobile industry were extended in 2010 and continued to benefit the Group's performance with a satisfactory growth in revenue. In addition, the improvement in operation of the Group's automotive components division also lead to the significant improvement of the Group's financial results for the year ended 31 December 2010. The Group's strategies include (i) technical re-engineering projects; (ii) business expansion programs; (iii) various capacity programs; (iv) strengthening of the technical capability; and (v) an upgrading program for the operation systems of Wuling Industrial (the "Group Strategies").

### *Information on Wuling Industrial*

With reference to the Board Letter, Wuling Industrial was established on 30 October 2006 as a state-owned limited company in the PRC, and was converted into a sino-foreign joint venture on 17 August 2007 which is currently owned as to approximately 50.98% and 49.02% by the Company and Liuzhou Wuling. Wuling Industrial and its subsidiaries are 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. It is a non-wholly owned subsidiary of the Company.

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## LETTER FROM GUANGDONG SECURITIES

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Set out below is the audited financial information of Wuling Industrial for each of the two years ended 31 December 2010:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2009</b>	<b>% change from 2009 to 2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>	
Net profit before tax	246,395	226,662	8.71
Net profit after tax	198,278	201,857	(1.77)
	<b>As at 31 December 2010</b>	<b>As at 31 December 2009</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	
Total net assets	1,166,809	1,086,673	7.37

### ***Reasons for the WI Capital Increase***

With reference to the Board Letter, the Qingdao Acquisition involves the acquisition of certain properties by Wuling Industrial in Qingdao, including three pieces of land, one factory complex (including supporting facilities and annex) as well as certain assets (comprising production facilities and machinery for the production of automotive components). As detailed in the Open Offer Circular and the Open Offer Prospectus, Wuling Industrial has intended to implement the Post Acquisition Expansion Programmes by further developing the land under the Qingdao Acquisition for the planned capacity expansion programmes of the Wuling Industrial Group commencing from 2011 onwards upon completion of the Qingdao Acquisition. Without taking into account of other on-going capacity expansion programmes which will take place simultaneously, 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 be increased by 300,000 units a year, representing an approximately 30% increase based on the then existing production capacity. Based on current estimations, the Post Acquisition Expansion Programmes will have a funding requirement for planned capital expenditures of approximately RMB340,000,000 (equivalent to approximately HK\$405,280,000). Wuling Industrial has proposed to finance the Post Acquisition Expansion Programmes by way of: (i) proposed increase in the registered and paid up capital of Wuling Industrial by a total of RMB193,000,000 (equivalent to approximately HK\$230,056,000); and (ii) internal resources of the Wuling Industrial Group in respect of the balance of approximately RMB147,000,000 (equivalent to approximately HK\$175,224,000). In order to maintain its approximately 50.98% equity interests in Wuling Industrial, the Company has entered into the WI Capital Increase Agreement pursuant to which it has conditionally agreed to contribute RMB98,390,000 (equivalent to approximately HK\$117,281,000), representing approximately 50.98% of WI Capital Increase.

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## LETTER FROM GUANGDONG SECURITIES

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With reference to the Board Letter, 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 such key customer and other new customers will continue to grow in the coming years, they are of the opinion that it is essential for Wuling Industrial to undertake active capacity expansion programmes in Qingdao, and that the Post Acquisition Expansion Programmes will be beneficial to the Group as it will enable the Group (through the 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 the entering into of the WI Capital Increase Agreement by the Company and its contribution towards the WI Capital Increase which is proportionate to its approximately 50.98% equity interest in Wuling Industrial will preserve its equity interest in Wuling Industrial and thus preserve the value of the Company's investment in Wuling Industrial without incurring dilution.

Given that (i) the WI Capital Increase is in line with the Group Strategies; and (ii) the Company's contribution towards the WI Capital will preserve the value of the Company's investment in Wuling Industrial without incurring dilution, we concur with the Directors that the WI Capital Increase is in the interests of the Group and the Shareholders as a whole.

### **2. Terms of the WI Capital Increase Agreement**

#### ***The WI Capital Increase Agreement***

Pursuant to the WI Capital Increase Agreement, the Company and Liuzhou Wuling have conditionally agreed to carry out the WI Capital Increase by increasing the registered and paid up capital of Wuling Industrial from RMB767,000,000 to RMB960,000,000, with an increase of registered and paid up capital of RMB193,000,000 (equivalent to approximately HK\$230,056,000). The Company and Liuzhou Wuling will be responsible for contributing in cash of RMB98,390,000 (equivalent to approximately HK\$117,281,000) and RMB94,610,000 (equivalent to approximately HK\$112,775,000) respectively. The respective contributions of the Company and Liuzhou Wuling towards the WI Capital Increase have been determined in proportion to their respective equity interests in the existing registered and paid up capital of Wuling Industrial. Upon completion of the WI Capital Increase, the equity interests of the Company and Liuzhou Wuling will remain at the existing level of approximately 50.98% and 49.02%, respectively.

Given that (i) the respective contributions of the Company and Liuzhou Wuling towards the WI Capital Increase have been determined in proportion to their respective equity interests in the existing registered and paid up capital of Wuling Industrial; and (ii) the equity interests of the Company and Liuzhou Wuling will remain at the existing level of approximately 50.98% and 49.02%, respectively, upon completion of the WI Capital Increase, we are of the view that the respective contributions of the Company and Liuzhou Wuling towards the WI Capital Increase are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM GUANGDONG SECURITIES

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### *Other terms of the WI Capital Increase Agreement*

We have also reviewed the other major terms of the WI Capital Increase Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the WI Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. Possible financial effects of the WI Capital Increase**

#### *Effect on net asset value*

As extracted from the Annual Report, the audited consolidated net assets (as calculated by total assets minus total liabilities) (“NAV”) of the Group were approximately RMB900.54 million as at 31 December 2010. The Directors expect that the WI Capital Increase would increase the NAV of the Group.

#### *Effect on earnings*

Taking into account the future prospect of Wuling Industrial, the Directors expected that the WI Capital Increase would likely to have a positive impact on the future earnings of the Group.

#### *Effect on gearing*

According to the Annual Report, the Group’s gearing ratio (calculated by total bank borrowings over the Group’s NAV) was approximately 27% as at 31 December 2010. The Directors expect that the WI Capital Increase would increase the NAV of the Group and would not affect the total bank borrowings of the Group. Accordingly, the Directors expect that the gearing ratio of the Group would be decreased upon completion of the WI Capital Increase.

#### *Effect on working capital*

As advised by the Directors, completion of the WI Capital Increase would increase the current assets of the Group and would not affect the current liabilities of the Group. Accordingly, the Directors expect that the completion of the WI Capital Increase would lead to an increase in the working capital (as calculated by current assets minus current liabilities) of the Group.

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

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## LETTER FROM GUANGDONG SECURITIES

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the WI Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the WI Capital Increase is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the WI Capital Increase Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

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

## 1. RESPONSIBILITY STATEMENT

This circular, 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. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

## 2. 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 (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange:

#### *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	24.06%
Mr. Zhou Sheji	Held by controlled corporation (Note 2)	44,770,000	3.82%

#### *Notes:*

- (1) The 281,622,914 Shares are currently held by Dragon Hill Development Limited ("Dragon Hill"), a company wholly-owned by Mr. Lee Shing.
- (2) The 44,770,000 Shares are owned by Gao Bao Development Limited, a company wholly-owned by Mr. Zhou Sheji.



*Long positions in respect of the outstanding options granted by the Company (“Options”) (Note):*

(Note: As at the Latest Practicable Date, the outstanding Options carried rights to subscribe for an aggregate of 77,401,969 Shares 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 37,653,106 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 39,748,863 Shares will be exercisable during the period up to the expiry date on 31 December 2013.)

Name of Directors	Capacity	Number of options granted	Exercise period	Price of grant	Subscription price per Share
Mr. Sun Shaoli	Beneficial Owner	906,818	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		906,818	From 21 January 2011 to 31 December 2013		
		1,813,636			
Mr. Lee Shing	Beneficial Owner	906,818	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		906,818	From 21 January 2011 to 31 December 2013		
		1,813,636			
	Family interest (Note)	352,651	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		352,651	From 21 January 2011 to 31 December 2013		
		705,302			
Mr. Wei Hongwen	Beneficial Owner	806,060	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		806,060	From 21 January 2011 to 31 December 2013		
		1,612,120			
Mr. Zhong Xianhua	Beneficial Owner	705,303	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		705,303	From 21 January 2011 to 31 December 2013		
		1,410,606			

Name of Directors	Capacity	Number of options granted	Exercise period	Price of grant	Subscription price per Share
Ms. Liu Yaling	Beneficial Owner	806,060	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		806,060	From 21 January 2011 to 31 December 2013		
		1,612,120			
Mr. Zhou Sheji	Beneficial Owner	705,303	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		705,303	From 21 January 2011 to 31 December 2013		
		1,410,606			
Mr. Yu Xiumin	Beneficial Owner	604,545	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		604,545	From 21 January 2011 to 31 December 2013		
		1,209,090			
Mr. Zuo Duofu	Beneficial Owner	604,545	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		604,545	From 21 January 2011 to 31 December 2013		
		1,209,090			
Mr. Ye Xiang	Beneficial Owner	604,545	From 21 January 2010 to 31 December 2012	HK\$1	HK\$1.062
		604,545	From 21 January 2011 to 31 December 2013		
		1,209,090			

*Note:* The 705,302 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 (i) 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, (ii) 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 ordinary shares	Approximate % of the issued share capital
Dragon Hill (Note 1)	Beneficial Owner	Corporate	281,622,914	24.06%
Wuling HK (Notes 2 and 3)	Beneficial Owner	Corporate	433,651,975	37.05%
		Unlisted derivatives	136,986,300	11.69%
		Total	570,638,275	48.74%
Wuling Motors (Notes 2 and 3)	Interest in controlled corporation	Corporate	433,651,975	37.05%
		Unlisted derivatives	136,986,300	11.69%
		Total	570,638,275	48.74%
Liuzhou Wuling (Notes 2 and 3)	Interest in controlled corporation	Corporate	433,651,975	37.05%
		Unlisted derivatives	136,986,300	11.69%
		Total	570,638,975	48.74%

*Notes:*

- (1) The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee Shing, an executive Director. Accordingly, this parcel of shares of the Company has also been disclosed as long position of Mr. Lee Shing under the above section.
- (2) The entire issued share capital of Wuling HK is held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is held by Liuzhou Wuling. Accordingly, Wuling Motors and Liuzhou Wuling are deemed to be interested in the Shares held by Wuling HK under the SFO.
- (3) The unlisted derivatives referred to 136,986,300 Shares issuable to Wuling HK 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).

**3. SERVICE CONTRACT**

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).

**4. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been 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 2010, being the date to which the latest published consolidated audited financial statements of the Company were made up.

As at the Latest Practicable Date, save as the WI Capital Increase Agreement, whereas a number of executive Directors, namely Mr. Sun Shaoli, Mr. Wei Hongwen and Mr. Zhong Xianhua are also directors or senior management of Liuzhou Wuling and/or their respective associates, 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.

**5. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published consolidated audited financial statements of the Company were made up.

**6. COMPETING INTEREST**

As at the Latest Practicable Date,

- (i) Mr. Lee Shing, an executive Director, was 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 being 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 this 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, was also 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.

## 7. EXPERT AND CONSENT

- (a) The following are the qualifications of the expert who has given its advice and recommendation which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Guangdong Securities Limited, i.e. the Independent Financial Adviser	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Guangdong Securities 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) Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter to the Independent Board Committee and the Independent Shareholders and references to its name in the form and context in which they are included in this circular.
- (d) As at the Latest Practicable Date, Guangdong Securities 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 2010, being the date to which the latest published consolidated audited financial statements of the Group were made up.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any business day 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 circular up to and including the date of the SGM of the Company to be held on 27 May 2011.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the 2009 and 2010 annual reports of the Company containing audited consolidated financial statements of the Group for the two years ended 31 December 2009 and 2010;
- (c) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations on the WI Capital Increase Agreement and the transactions contemplated thereunder, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (d) the letter from Guangdong Securities containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders regarding the WI Capital Increase Agreement and the transactions contemplated thereunder, the text of which is set out in the section headed “Letter from Guangdong Securities” in this circular;
- (e) the written consent referred to in the paragraph headed “Expert and consent” in this appendix;
- (f) the WI Capital Increase Agreement;
- (g) the Acquisition Agreements; and
- (h) a copy of this circular.

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## NOTICE OF SGM

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

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

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Dragon Hill Wuling Automobile Holdings Limited (俊山五菱汽車集團有限公司\*) (the “**Company**”) will be held at the Ballroom, 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong at 4:30 pm on Friday, 27 May 2011 (or immediately after the conclusion of the annual general meeting of the Company which is scheduled to be held on the same day at 3:30 pm), for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT:**

- (a) the capital increase agreement dated 21 April 2011 (the “**WI Capital Increase Agreement**”), entered into among the Company, 柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited\*) (“**Liuzhou Wuling**”) and 柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited\*) (“**Wuling Industrial**”) (a copy of which is produced to the SGM marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the proposed increase in the registered and paid up capital of Wuling Industrial by a total amount of RMB193,000,000 (equivalent to approximately HK\$230,056,000) from RMB767,000,000 (equivalent to approximately HK\$914,264,000) to RMB960,000,000 (equivalent to approximately HK\$1,144,320,000) to be contributed by the Company and Liuzhou Wuling based on their respective equity interests in Wuling Industrial (“**WI Capital Increase**”), together with the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents and to take such steps as he/she may consider necessary, desirable or expedient to give effect to or in connection with the WI Capital Increase Agreement or any of the transactions contemplated under the WI Capital Increase Agreement and all other matters incidental thereto.”

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

Hong Kong, 11 May 2011

\* For identification purpose only

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## NOTICE OF SGM

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*Registered office:*  
Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Unit 2805-06  
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Convention Plaza  
No.1 Harbour Road  
Wanchai  
Hong Kong

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

*Notes:*

1. Any member entitled to attend and vote at the SGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and, in the event of poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or at any adjournment thereof). Completion and return of the forms of proxy will not preclude a member from attending the SGM and voting in person if he so wishes. In this event that a member attends the SGM after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
3. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
4. Shareholders are advised to read the circular to the shareholders of the Company dated 11 May 2011 which contains information concerning the resolution to be proposed in this notice.
5. The ordinary resolution to be proposed at the SGM shall be decided by way of poll.