

HIGHWAY HOLDINGS LIMITED

Suite No. 810, Level 8
Landmark North
39 Lung Sum Avenue
Sheung Shui
New Territories, Hong Kong

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

August 17, 2010

Notice is hereby given that the Annual Meeting of Shareholders of Highway Holdings Limited (the "Company"), will be held at the offices of TroyGould PC, 1801 Century Park East, 16th Floor, Los Angeles, California U.S.A., on Tuesday, August 17, 2010, at 10:00 a.m., for the following purposes:

- (1) To elect eight members of the Company's Board of Directors to serve until the next annual meeting of shareholders or until their successors are duly elected and qualified;
- (2) To ratify the appointment by the Board of Directors of AGCA, Inc. as the independent accountants of the Company for the fiscal year ending March 31, 2011;
- (3) To approve the adoption of the Company's 2010 Stock Option and Restricted Stock Plan; and
- (4) To transact such other business as may properly come before the meeting or any adjournment thereof.

Your attention is directed to the accompanying proxy statement. Only shareholders of record at the close of business on July 6, 2010 will be entitled to notice of and to vote at the meeting and any adjournment thereof.

Please sign, date and complete the enclosed proxy and return it promptly in the accompanying pre-addressed envelope, whether or not you expect to attend the Annual Meeting, to ensure that your shares will be represented. A majority of the outstanding shares of voting stock must be represented (in person or by proxy) at the Annual Meeting in order that business may be transacted. Therefore, your promptness in returning the enclosed proxy will help to ensure that the Company will not have to bear the expense of undertaking a second solicitation. A shareholder who executes and returns the accompanying proxy may revoke such proxy at any time before it is voted at the Annual Meeting by following the procedures set forth in the attached proxy.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON AUGUST 17, 2010

This Proxy Statement, along with the proxy card, and our Annual Report to Shareholders, which includes our Form 20-F for the year ended March 31, 2010, as filed with the Securities and Exchange Commission, are available at our website, <http://www.highwayholdings.com/>.

By Order of the Board of Directors

Po S. Fong, Secretary

Hong Kong
July 9, 2010

PLEASE SIGN AND DATE THE ENCLOSED FORM OF PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE IN ORDER TO ENSURE THAT YOUR VOTES ARE COUNTED.

HIGHWAY HOLDINGS LIMITED

**Suite No. 810, Level 8
Landmark North
39 Lung Sum Avenue
Sheung Shui
New Territories, Hong Kong**

PROXY STATEMENT

Annual Meeting of Shareholders

August 17, 2010

INTRODUCTION

Persons Making the Solicitation

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Highway Holdings Limited, a British Virgin Islands holding corporation (the “Company”), of proxies for use at the Annual Meeting of Shareholders to be held at 10:00 a.m. at the offices of TroyGould PC, 1801 Century Park East, 16th Floor, Los Angeles, California U.S.A., on Tuesday, August 17, 2010, and at any adjournment thereof (the “Annual Meeting”). This proxy statement is first being mailed to shareholders on or about July 9, 2010. You are requested to sign, date and return the enclosed proxy card in order to ensure that your shares are represented at the Annual Meeting.

A form of proxy is enclosed for your use. The shares represented by each properly executed unrevoked proxy will be voted as directed by the shareholder executing the proxy. If no direction is made, the shares represented by each properly executed unrevoked proxy will be voted (i) “FOR” the election of management’s nominees for the Board of Directors, (ii) “FOR” the ratification of the appointment by the Board of Directors of AGCA, Inc. as the independent accountants of the Company for the fiscal year ending March 31, 2011, and (iii) “FOR” the adoption of the 2010 Stock Option and Restricted Stock Plan (the “2010 Plan”). With respect to any other item of business that may come before the Annual Meeting, the proxy holders will vote the proxy in accordance with the recommendation of management of the Company.

The cost of solicitation of proxies, including the cost of preparation and mailing of the Notice of Annual Meeting, this Proxy Statement, and the enclosed proxy, will be borne by the Company. It is anticipated that brokerage houses, fiduciaries, nominees, and others will be reimbursed for their out-of-pocket expenses in forwarding proxy material to beneficial owners of stock held in their names. Directors, officers, or employees of the Company may solicit proxies by telephone or in person without additional compensation.

Revocability of Proxy

Any proxy given by a shareholder of the Company may be revoked at any time before it is voted at the Annual Meeting by a written notice to the Secretary of the Company, or upon request if the shareholder is present at the meeting. Each valid proxy returned that is not revoked, unless indicated otherwise on the proxy card, will be voted in the election of directors for the nominee as described herein.

Voting Securities

Holders of record of the Company's Common Shares, \$0.01 par value (the "Common Shares"), at the close of business on July 6, 2010 (the "Record Date") are entitled to notice of and to vote at the meeting or any adjournment thereof. As of the Record Date, there were 3,741,874 Common Shares issued and outstanding. Holders of Common Shares are entitled to cast one vote per share on each matter presented for consideration and action by the shareholders. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the outstanding Common Shares will constitute a quorum for the transaction of business at the Annual Meeting.

Abstentions may be specified as to all proposals to be brought before the Annual Meeting other than the election of directors. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspectors of election appointed for the meeting, and will determine whether or not a quorum is present. The inspectors of election will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted to the shareholders for a vote. Ratification of the appointment of the independent accountants and the approval of the adoption of the 2010 Plan will require the affirmative vote of at least a majority in voting interest of the shareholders present in person or by proxy at the Annual Meeting and entitled to vote thereon.

The directors to be elected at the Annual Meeting will be elected by a plurality of the votes cast. Nominees receiving the highest number of affirmative votes cast, up to the number of directors to be elected, will be elected as directors. Only votes cast for a nominee will be counted, except that each properly executed unrevoked proxy will be voted for management's nominee for the Board of Directors in the absence of instructions to the contrary. Abstentions, broker non-votes and instructions on a proxy to withhold authority to vote for management's nominees will result in the respective nominees receiving fewer votes.

Annual Report

This Proxy Statement is accompanied by the Annual Report of the Company for the fiscal year ending on March 31, 2010. Shareholders are encouraged to read the Annual Report in connection with the information contained herein.

PROPOSAL I - ELECTION OF DIRECTORS

The directors and executive officers of the Company as of July 6, 2010 are listed below. The directors hold office until the next annual meeting of shareholders, which currently is scheduled to be held on August 17, 2010.

Name	Age	Positions
Roland W. Kohl	61	Chief Executive Officer, Director, Chairman of the Board
Holger Will	44	Chief Operating Officer
Satoru Saito ⁽¹⁾	61	Sales Director, Metal Stamping Operations, Director
Fong Po Shan	44	Chief Financial Officer, Secretary
May Tsang Shu Mui ⁽¹⁾	50	Chief Administrative Officer, Director
Tiko Aharonov ^{(2) (3)}	63	Director
Dirk Hermann ⁽¹⁾	46	Director
Uri Bernhard Oppenheimer ^{(2) (3)}	74	Director
Shlomo Tamir ^{(2) (3)}	63	Director
Kevin Yang Kuang Yu	53	Director
Irene Wong Ping Yim ⁽²⁾	44	Director
Brian Geary ⁽³⁾	53	Director
George Leung Wing Chan ⁽²⁾	57	Director

- (1) Satoru Saito, May Tsang Shu Mui, and Dirk Hermann will not stand for re-election at the Annual Meeting of shareholders currently scheduled to be held on August 17, 2010.
 (2) Current member of Audit Committee.
 (3) Member of Compensation Committee.

At the Annual Meeting, eight directors, who will constitute the entire Board of Directors, are to be elected to serve until the next Annual Meeting of shareholders or until their successors shall be elected and shall qualify. The Board of Directors has reduced the number of directors that will serve on the Board of Directors from eleven to eight because they have determined that a smaller Board of Directors would be in the best interests of the Company's shareholders in light of the size of the Company. All nominees have consented to being named herein and have agreed to serve if elected. If, at the time of the Annual Meeting, any nominee is unable or declines to serve, the proxies may be voted for another person nominated by the present Board of Directors to fill the vacancy or the size of the Board may be reduced. The nominees are the following:

Roland W. Kohl	Kevin Yang Kuang Yu
Uri Bernhard Oppenheimer	Irene Wong Ping Yim
Shlomo Tamir	Brian Geary
Tiko Aharonov	George Leung Wing Chan

The following summary sets forth certain biographical information concerning each nominee:

Roland W. Kohl. Mr. Kohl was the founder of the Company and has been its Chief Executive Officer since its inception in 1990. He has been a director of the Company since March 1, 1995. He has overall responsibility for the day-to-day operations of the Company and its subsidiaries. Prior to forming the Company, Mr. Kohl was the Managing Director of Dialbright Company Limited, a camera manufacturer located in China. Mr. Kohl received a degree in mechanical engineering and has over

twenty year's experience in managing factories and manufacturing operations in China. Mr. Kohl is a German national and resides in Hong Kong.

The Board of Directors has concluded that Mr. Kohl should be re-nominated to the Board of Directors because he is a founder of the Company and has been its Chief Executive Officer since its organization. As a result, he has invaluable experience with the Company and its industry in which the Company operates.

Tiko Aharonov. Mr. Aharonov has been a director of the Company since its inception in 1990 and was a General Manager of the Company's camera operations from 1998 to 2004. Until the closing of the Company's Bulgarian facility in 2004, Mr. Aharonov acted as the General Manager of the Bulgarian operations. He was a bank manager for a leading Israeli commercial and retail bank from 1969 to 1989 and has operated his own real estate and investment company for high net worth individuals desiring to invest in real estate in Israel.

The Board of Directors has concluded that Mr. Aharonov would be a valuable member of the Board of Directors because of his extensive experience with the Company.

Uri Bernhard Oppenheimer. Mr. Oppenheimer was elected to the Board of Directors in July 2005. Mr. Oppenheimer is founder, managing director and the majority owner of U.B. Oppenheimer GmbH in Germany and MIG Germany GmbH in Germany.

The Board of Directors has concluded that Mr. Oppenheimer's extensive business experience, particularly with German companies (German companies are now among the Company's largest clients), is an important contribution to the functions of the Board.

Shlomo Tamir. Mr. Tamir was elected to the Board of Directors in July 2005. Mr. Tamir has worked with Taman/Israel Aircraft Industry since 1969, holding various positions, including Director of Product Assurance, Program Manager, and most recently as a Group of Programs Manager.

Mr. Tamir brings extensive manufacturing and production expertise to the Company's Board.

Kevin Yang Kuang Yu. Mr. Yang was elected to the Board of Directors in July 2005. He has, since 2004 been the China-USA Director of Holt Asia LLC (now owned by Chesta Co., Inc.) in the U.S. Prior thereto, from 2000 to May 2003, Mr. Yang set up and managed a factory in Shanghai for CHT Co., Ltd. (now owned by Chesta Co., Inc.) and controlled and managed other manufacturing facilities in China. Mr. Yang has also been involved with trading companies that were engaged in exporting products to the U.S.

The Board of Directors has determined that Mr. Yang would be a valuable member of the Board of Directors because of his background in manufacturing management, especially in China, and his experience in dealing with U.S./China business relations.

Irene Wong Ping Yim. Ms. Wong was elected to the Board of Directors in July 2005. Ms. Wong has been the Chief Accountant of CNIM HK Ltd. in Hong Kong since 2003. Prior thereto, she spent two years earning a Master of Business Administration from Deakin University in Australia. From 1994 to 2001, Ms. Wong was the Accounting Manager of Highway Holdings.

The Board of Directors has concluded that Ms. Wong her extensive accounting background and expertise provides a valuable resource to the Board of Directors. Ms. Wong also has extensive knowledge and understanding about the Company's financial position and background, having been the

Company's Accounting Manager for seven years. In addition, since she has a degree in accounting, she is able to serve as the "audit committee financial expert" of the Audit Committee.

Brian Geary. Mr. Geary was appointed to the Board of Directors in December 2005. Mr. Geary has since 2002 been a director of LMI Aerospace, a public company that manufactures components, assemblies, and kits for the aerospace, defense, and technology industries. From 1978 until 2002, Mr. Geary was the President and owner Versaform Corp. and Versaform Canada, two companies that were sold to LMI Aerospace in 2002.

The Board of Directors has concluded that Mr. Geary would be a valuable member of the Board of Directors because of his extensive background in manufacturing management and because he provides valuable insight into business relations with the U.S.

George Leung Wing Chan. Mr. Leung was appointed to the Board of Directors in December 2005. Since 2004, Mr. Leung has been a management consultant. Prior thereto, from 1995 to 2004, he was the Managing Director/Vice President of Lucky Metal & Plastic Mfg. Co., Ltd.

The Board of Directors has concluded that Mr. Tamir would be a valuable member of the Board of Directors because he has extensive background in manufacturing management, particularly in metal and plastics.

Executive Officers

In addition to the directors listed above, the following are the other principal members of the Company's management team.

Fong Po Shan. Ms. Fong was employed as the Chief Financial Officer and Secretary of the Company in January 1998. Ms. Fong's responsibilities include planning financial development and setting up the internal systems. From 1995 to 1997, Ms. Fong worked at Philips Hong Kong Limited and KONE Elevator (HK) Limited as a Management Accountant and Financial Control and Supply Manager, respectively. From 1991 to 1994, Ms. Fong was employed as an Accounting Manager of the Company. She is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants. She graduated from Simon Fraser University with a Bachelor Degree in Business Administration in Canada in 1990 and received a Masters in Accounting from the Charles Stuart University in 1994.

Holger Will. Mr. Will has been employed with the Company since 1996 and was appointed as the Company's Chief Operating Officer effective May 1, 2010. Mr. Will started with the Company as a Production consultant to one of the Company's subsidiaries and eventually became the Production Manager of that subsidiary. In 2000 Mr. Will became the General Manager of Kayser Technik Ltd., the Company's marketing arm to German customers. As Chief Operating Officer, Mr. Will now is involved in all of the Company's operations.

All current directors hold office until the next annual meeting of the Company's shareholders or until their successors are elected or appointed. Officers are elected by and serve at the discretion of the Board of Directors. There is no family relationship between any of the above-named officers, directors or employees. Dr. Hermann, who is not standing for re-election at the Annual Meeting, is the brother-in-law of Mr. Kohl. To the Company's knowledge, no arrangement or understanding exists between any such director and executive officer and any major shareholder, customer, supplier or other party pursuant to which any director or executive officer was elected as a director or executive officer of the Company.

Board and Committee Meetings

The Board of Directors held four meetings during the fiscal year ended March 31, 2010. Each director attended at least 75% of the aggregate of the total meetings of the Board of Directors and the total number of meetings of all Board committees on which he or she served that were held during the portion of the 2010 fiscal year in which he or she served as a director or served on such committees, as applicable.

The Board of Directors has two standing committees: (i) an Audit Committee and (ii) a Compensation Committee.

Audit Committee

During fiscal 2010, the members of the Audit Committee of the Board of Directors were Uri Bernhard Oppenheimer, Shlomo Tamir, Kevin Yang Kuang Yu, Irene Wong Ping Yim, Brian Geary, George Leung Wing Chan and Tiko Aharonov. During the remaining portion of the current fiscal year, the Audit Committee now consists of Irene Wong Ping Yim, Uri Bernhard Oppenheimer, Shlomo Tamir, George Leung Wing Chan and Tiko Aharonov. The Audit Committee reviews, acts on and reports to the Board of Directors on various auditing and accounting matters, including the selection of the Company's auditors, the scope of the annual audits, fees to be paid to the auditors, the performance of the independent auditors, any additional services to be provided by the auditors, and the Company's accounting practices. Each of these individuals is a non-employee director and is independent as defined under the Nasdaq Capital Market's listing standards, and each has significant knowledge of financial matters (one of the members has received an advanced degree in business administration). Ms. Wong has been designated by the Board of Directors as the "audit committee financial expert" as defined under Item 401(h) (2) of Regulation S-K of the Securities Exchange Act of 1934, as amended. The Audit Committee met two times during the fiscal year ended March 31, 2010. The Audit Committee operates under a formal charter that governs its duties and conduct. This formal charter is available from the Company upon request.

The principal functions of the Audit Committee are (i) to recommend the independent auditors to be employed by the Company; (ii) to consult with the independent auditors with regard to the plan of audit; (iii) to review, in consultation with the independent auditors, their audit report; (iv) to consult with the independent auditors with regard to the adequacy of the Company's internal accounting controls, and (v) to approve any additional services to be provided by the auditors to the Company.

Audit Committee Report

The following is the report of our Audit Committee with respect to our audited financial statements for the fiscal year ended March 31, 2010. This report shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C under the Securities Exchange Act or to the liabilities of Section 18 of the Securities Exchange Act, nor shall any information in this report be incorporated by reference into any past or future filing under the Securities Act or the Securities Exchange Act, except to the extent we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Securities Exchange Act.

In performing its oversight responsibilities as defined in its charter, the Audit Committee has reviewed and discussed the audited financial statements and reporting process, including the system of internal controls, with management and with AGCA, Inc., the Company's independent registered public accounting firm for the year ended March 31, 2010. The Audit Committee has also discussed with AGCA, Inc. the matters required to be discussed by the statement on Auditing Standards No. 61, as

amended, (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

In addition, the Audit Committee has received from AGCA, Inc. the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding AGCA, Inc.'s communications with the Audit Committee concerning independence and has discussed with AGCA, Inc. their independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 20-F for the year ended March 31, 2010 for filing with the SEC.

Audit Committee

Uri Bernhard Oppenheimer
Shlomo Tamir
Kevin Yang Kuang Yu
Irene Wong Ping Yim
Brian Geary
George Leung Wing Chan
Tiko Aharonov

Compensation Committee

During the past fiscal year, the Compensation Committee of the Board of Directors consisted of consisted of Shlomo Tamir, Uri Bernhard Oppenheimer, Brian Geary and Tiko Aharonov. The Compensation Committee administers the Company's 1996 Stock Option Plan and, if approved, will administer the 2010 Plan and established the salaries and incentive compensation of the executive officers of the Company. The Compensation Committee met once during the fiscal year ended March 31, 2010.

Nominations

To date, all eleven of the Company's current directors (seven of whom are independent directors) have participated in the selection of 2010 director nominees. Accordingly, the Board of Directors has not yet found it necessary to have a separate Nominating Committee or a formal charter for the Nominating Committee. Assuming that the nominees are elected at the Annual Meeting, seven of the eight members of the Board will be independent directors.

The Board of Directors has not established any specific minimum qualifications for director candidates or any specific qualities or skills that a candidate must possess in order to be considered qualified to be nominated as a director. Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing board composition. In making its nominations, the Board of Directors generally will consider, among other things, an individual's business experience, industry experience, financial background, breadth of knowledge about issues affecting our Company, time available for meetings and consultation regarding company matters and other particular skills and experience possessed by the individual. The Board of Directors has not adopted a formal policy with regard to the consideration of diversity when evaluating candidates for election to the Board of Directors. However, the Board of Directors believes that membership should reflect diversity in its broadest sense, but should not be chosen nor excluded based on race, color, gender, national origin or sexual orientation. In this context, the Board of Directors does consider a candidate's experience, education, industry knowledge and, history with the Company, and differences of viewpoint when evaluating his or her qualifications for election the Board. In evaluating

such candidates, the Board of Directors seeks to achieve a balance of knowledge, experience and capability in its composition.

Usually, nominees for election to the Board are proposed by our existing directors, and all of our current nominees were recommended by our existing directors. The Company does not have any policy with regard to the consideration of any director candidates recommended by securityholders. All potential director candidates, regardless of source, are reviewed under the same process. The Board of Directors believes this approach is appropriate in light of the infrequent occurrence of recommendations made by our shareholders.

We do not have a formal policy regarding attendance by Board members at the Annual Meeting of Shareholders. Our Chairman attended our 2009 Annual Meeting and will attend our 2010 Annual Meeting. However, because most of the other directors are located outside of the U.S., none of the other directors is expected to attend the Annual Meeting.

Board Leadership Structure and Role in Risk Oversight

The Board of Directors believes it is important to select the Company's Chairman and Chief Executive Officer in the manner it considers in the best interests of the Company at any given time. Accordingly, the Chairman and Chief Executive Officer positions may be filled by one individual or by two different individuals, as determined by the Board of Directors based on circumstances then in existence.

Currently, Roland Kohl serves as both Chairman and Chief Executive Officer. The Board of Directors considers this leadership structure to be suitable for the Company because it allows one person to lead and represent the Company and the Board of Directors, while also providing for effective oversight by an independent Board. The Board of Directors believes that having Mr. Kohl serve in the roles of Chairman and Chief Executive Officer is appropriate for the Company and its shareholders at this time, in view of Mr. Kohl's continuous long-standing roles in such positions, and Mr. Kohl's in-depth knowledge of the Company's business and industry. The Board of Directors also believes that the strength of its independent directors mitigates the risk of any potential conflicts that might result from combining the roles of Chief Executive Officer and Chairman.

Tiko Aharonov has been designated as the "lead independent director" of the Board of Directors. Mr. Aharonov is responsible for coordinating the activities of the independent directors, working with the Chief Executive Officer to set the agenda for Board meetings, chairing executive sessions of the independent directors, leading the Board's review of the Chief Executive Officer. The Board of Directors is currently comprised of a majority of individuals who are independent from the management of the Company and, assuming that the nominees are elected at the Annual Meeting, seven of the future eight members of the Board will be independent directors. The Board of Directors and its committees meet frequently throughout the year to assure that our independent directors are well briefed and informed with regard to our Company's affairs. Each of our independent directors has unfettered access to any employee within our Company and each director is encouraged to call upon whatever employee he deems fit to secure the information each director feels is important to his understanding of our Company. In this fashion, we seek to maintain well informed, independent directors who are prepared to make informed decisions regarding our business affairs.

Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors as a whole plays an important role in overseeing the identification, assessment and mitigation of such risks. The Board of Directors reviews information regarding the Company's finances and operations, as well as the risks associated with each. For example, the oversight of financial risk management lies primarily with the Board's Audit Committee, which is empowered to appoint and

oversee our independent auditors, monitor the integrity of our financial reporting processes and systems of internal controls and provide an avenue of communication among our independent auditors, management and the Board of Directors. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's compensation plans and arrangements, as well as risks associated with the independence of the Board of Directors and potential conflicts of interest. In fulfilling its risk oversight responsibility, the Board of Directors, as a whole and acting through any established committees, regularly consults with management to evaluate and, when appropriate, modify our risk management strategies.

PROPOSAL II - RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors is considering retaining the firm of AGCA, Inc., independent certified public accountants, to act as the Company's independent auditors for the year ending March 31, 2011. AGCA, Inc. was engaged by the Company on December 3, 2009 and acted as the Company's independent auditors for the year ended March 31, 2010.

AGCA, Inc. replaced the Company's previous independent auditors, Deloitte Touche Tohmatsu. By letter dated December 16, 2009, Deloitte Touche Tohmatsu resigned as the Company's independent registered public accounting firm. This decision to change auditors was adopted by the Audit Committee and ratified by the Board of Directors of the Company. Prior to the engagement of AGCA, Inc., the Company did not consult with AGCA, Inc. regarding the application of accounting principles to a specific, completed or contemplated transaction, or the type of audit opinion that might be rendered on the Company's financial statements.

During the Company's two most recent fiscal years and through March 31, 2009, the Company had no disagreements with Deloitte Touche Tohmatsu, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Deloitte Touche Tohmatsu, would have caused it to make reference to the subject matter of the disagreement in connection with its report. No report of Deloitte Touche Tohmatsu on the financial statements of the company for either of the past two years contained an adverse opinion or disclaimer of opinion or was modified as to audit scope or accounting principles.

Shareholder ratification of the selection of AGCA, Inc. as the Company's independent public accountants is not required by the Company's Memorandum and Articles of Association or otherwise. However, the Board of Directors is submitting the anticipated selection of AGCA, Inc. to the shareholders for ratification as a matter of good corporate practice. The Board of Directors will consider the shareholders' vote in its determination of whether or not to retain that firm. However, even if the selection is ratified, the Board of Directors in its discretion may direct the appointment of a different independent accounting firm, or change such appointment at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders. The Board of Directors does not anticipate a representative of AGCA, Inc. will attend the Annual Meeting.

The following table presents the aggregate fees for professional services and other services rendered by Deloitte Touche Tohmatsu to us in the fiscal year ended March 31, 2009, and aggregate fees paid to AGCA, Inc. for the fiscal year ended 2010.

	<u>2009</u>	<u>2010</u>
Audit Fees (1)	\$299,500	\$99,500
Audit-Related Fees (2).....	-	-
Tax Fees (3)	\$32,100	-
All Other Fees	\$8,900	200
Total	<u>\$340,500</u>	<u>\$99,700</u>

- (1) Audit fees represent fees for professional services provided in connection with the audit of the Company’s consolidated financial statements and review of the Annual Report on Form 20-F, and audit services provided in connection with other statutory or regulatory filings.
- (2) Audit-related fees consist of assurance and related services reasonably related to the audit or a review of the Company’s financial statements.
- (3) Tax Fees include fees for the preparation of tax returns.

As part of its policies and procedures, all audit related services, tax services and other services rendered by Deloitte Touche Tohmatsu or AGCA, Inc. were pre-approved by the Audit Committee.

PROPOSAL III - 2010 STOCK OPTION AND RESTRICTED STOCK PLAN

On June 26, 2010, the Board of Directors approved the 2010 Stock Option and Restricted Stock Plan (the “2010 Plan”), and recommended that the adoption of the 2010 Plan be submitted for approval by our shareholders. Shareholder approval is required for this proposal under the 2010 Plan and the Nasdaq Capital Market listing standards. If our shareholders approve this proposal, we may make awards under the 2010 Plan as described below. If shareholders do not approval this proposal, we will not implement the 2010 Plan, and any currently outstanding award under the 2010 Plan will terminate and be of no further force or effect.

The Board of Directors adopted the 2010 Plan because there are no additional shares available for grants of awards under our prior stock option plan, the Company’s 1996 Stock Option Plan (the “1996 Option Plan”). The 1996 Option Plan authorized the Company to grant options to purchase a total of 600,000 shares. As of March 31, 2010, options granted under the 1996 Option Plan to purchase a total of 197,500 Common Shares were still outstanding. Management of the Company believes that granting options is an important incentive tool for the Company’s employees. The inability of the Company to continue to grant options to its employees may negatively affect the Company’s relations with its employees.

A copy of the 2010 Plan is attached to this Proxy Statement as Appendix A.

General

The 2010 Plan provides for awards of stock options (“Options”) and rights to acquire restricted shares (“Restricted Shares”). The Board of Directors adopted the 2010 Plan to attract and retain effective and capable directors, officers, employees and individual consultants of the Company and its subsidiaries; to provide incentive compensation opportunities that are competitive with other similar businesses; to bind the interests of these directors, officers, employees and individuals more closely to the Company’s own interests by offering them opportunities to acquire Common Shares; and thereby provide these individuals with added incentive to remain in the service of the Company and its subsidiaries and to enhance long-term shareholder returns. We currently have approximately 50 employees, directors and consultants that are eligible to participate in the 2010 Plan.

Administration

Unless it delegates administration to a committee as described below, the Board of Directors will administer the 2010 Plan. Subject to the provisions of the 2010 Plan, the Board of Directors has the power to construe and interpret the 2010 Plan and to determine the persons to whom and the dates on which awards will be granted, the number of Common Shares to be subject to each award, the time or times during the term of each award within which all or a portion of such award may be exercised, the exercise price or purchase price of each award, the types of consideration permitted to exercise or purchase each award and other terms of the awards.

Under the 2010 Plan, the Board of Directors has the power to delegate administration of the 2010 Plan to a committee composed of one or more directors. In the discretion of the Board of Directors, a committee may consist solely of two or more “Non-Employee Directors” (as such terms are defined in the 2010 Plan). Within the scope of such authority, the Board of Directors or the committee may delegate to one or more directors who are not Non-Employee Directors the authority to grant awards to eligible persons who are not then subject to Section 16 of the Exchange Act of 1934, as amended. The Board of Directors may also delegate nondiscretionary administrative duties to such employees of the Company as it deems proper. The Board of Directors has determined to delegate the power to administer the 2010 Plan to our Compensation Committee.

The Board of Directors has plenary authority in its discretion to administer the 2010 Plan, including, but not limited to the power to interpret, implement and apply the provisions of the 2010 Plan.

Stock Subject to the 2010 Plan

Subject to the provisions of subsection 6(b) of the 2010 Plan relating to adjustments upon changes in Common Shares, an aggregate of 600,000 Common Shares will be set aside and reserved for issuance under the 2010 Plan.

If awards granted under the 2010 Plan expire or otherwise terminate without being exercised in full, the Common Shares not acquired pursuant to such awards will again become available for issuance under the 2010 Plan.

If Common Shares subject to an award are not delivered to a participant because such shares are withheld for payment of taxes incurred in connection with the exercise of an option, or the award is exercised through a reduction of shares subject to the award (“net exercised”), then the number of shares that are withheld shall no longer be available for issuance under the 2010 Plan. In addition, if the exercise price of any award is satisfied by the tender of Common Shares to us (whether by actual delivery or attestation), then the shares tendered will no longer be available for issuance under the 2010 Plan.

Eligibility

Participation in the 2010 Plan shall be limited to the directors, executives and employees of the Company and its subsidiaries, and any consultant or other individual providing services to the Company or a subsidiary, provided that a consultant shall not be eligible for the grant of an award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act (“Form S-8”) is not available to register either the offer or the sale of the Company’s securities to such consultant, unless the Company determines that such grant otherwise complies with the requirements of the Securities Act and the securities laws of all other relevant jurisdictions.

Terms of Options

Options shall be granted under the 2010 Plan pursuant to stock option agreements. The following is a description of the permissible terms of Options under the 2010 Plan. Individual Option grants may be more restrictive as to any or all of the permissible terms described below.

Exercise Price; Payment

The exercise price per share for Options shall be established by the Board of Directors at the time of the grant of Options pursuant to the 2010 Plan, provided that the exercise price for Options granted to participants subject to taxation in the United States shall not be less than the “fair market value” (as defined in the 2010 Plan) of the Common Shares subject to the Option on the date of the grant. The exercise price of Options granted to participants who are not subject to taxation in the United States may be less than the fair market value of the Common Shares on the date of grant.

The exercise price of Options granted under the 2010 Plan must be paid either: (i) in cash at the time the Option is exercised, (ii) by delivery of other of our Common Shares, or (iii) pursuant to a net exercise arrangement. Notwithstanding the foregoing provisions, the Board of Directors, in granting Options pursuant to the 2010 Plan, may limit the methods in which an Option may be exercised by a participant and, in processing any purported exercise of an Option granted pursuant to the 2010 Plan, may refuse to recognize the method of exercise selected by the Option holder (other than payment in cash).

An Option holder shall have none of the rights of a shareholder of the Company until the Common Shares covered by the Option are issued to him upon exercise of the Option.

Vesting

The Board of Directors may provide in the option agreement that the right to exercise each Option for the number of shares subject to each Option shall vest in the Option holder over such period of time, or upon the occurrence of such event, contingency or condition (which may be based on performance or other criteria), as the Board, in its discretion, shall determine for each Option holder. The vesting provisions of individual Options may vary.

Term

The term of each Option shall be determined by the Board of Directors at the time of grant of the Option, provided that if no term is established by the Board of Directors, the term of the Option shall be five years from the date on which it is granted. Options awarded under the 2010 Plan generally will terminate effective at the close of business on the date the Option holder ceases to be an active, regular employee of the Company or any of its subsidiaries, except: (i) in the event an employee Option holder takes a leave of absence from, or ceases providing services to, the Company or any of its subsidiaries for personal reasons, by reason of illness, disability, voluntary termination with the consent of the Board of Directors, or other special circumstances, the Board of Directors may consider his case and may take such action in respect of the related option agreement as it may deem appropriate under the circumstances; (ii) if an Option holder dies during the term of his Option without having fully exercised his Option, the executor or administrator of his estate or the person who inherits the right to exercise the Option by bequest or inheritance shall have the right at any time following the Option holder’s death to purchase the number of shares of Common Shares that the deceased Option holder was entitled to purchase at the date of his death; and (iii) if an Option holder terminates employment without his having fully exercised his Option due to his retirement with the consent of the Company, then such Option holder shall have the right within 90 days of the Option holder’s termination of employment to purchase the number of Common Shares that the Option holder was entitled to purchase at the date of his termination.

On receipt of written notice of exercise, the Board of Directors may elect to cash out all or part of the portion of any Option to be exercised by paying the participant an amount, in cash or Common Shares, equal to the excess of the “fair market value” (as defined in the 2010 Plan) of the Common Shares that is subject to the Option over the exercise price times the number of Common Shares subject to the Option on the effective date of such cash-out.

Restrictions on Transfer

Options shall be nontransferable and nonassignable, except that Options may be transferred by testamentary instrument or by the laws of descent and distribution. Notwithstanding the foregoing, the Board of Directors may set forth in the option agreement at the time of grant or thereafter, that the Option may be transferred to members of the optionee’s immediate family, to trusts solely for the benefit of such immediate family members, and to partnerships in which such family members and/or trusts are the only partners. For this purpose, immediate family means the optionee’s spouse, parents, children, stepchildren, grandchildren, and legal dependents. In the event an Option is transferred in accordance with the foregoing, the Option shall be exercisable solely by the transferee and shall remain subject to the provisions of the 2010 Plan.

Terms of Restricted Share Awards

Restricted share awards shall be granted under the 2010 Plan pursuant to restricted share agreements.

Payment

Restricted Shares may be granted under the 2010 Plan for such consideration (including cash, cash equivalents, full-recourse promissory notes, past services and future services) and such other terms, conditions and restrictions as determined by the Board of Directors.

Vesting

Restricted Shares acquired under a restricted share purchase or grant agreement may, but need not, be subject to forfeiture to the Company or other restrictions that will lapse in accordance with a vesting schedule to be determined by the Board of Directors. During any restricted period, the recipient shall not be permitted to sell, transfer, pledge or assign Restricted Shares awarded under the 2010 Plan. In the event a recipient’s employment or service with the Company terminates, any or all of the Common Shares held by such recipient that have not vested as of the date of termination under the terms of the restricted share agreement may be forfeited to the Company in accordance with such restricted share agreement.

The holders of Restricted Shares awarded under the 2010 Plan shall have the same voting, dividend and other rights as the Company’s other shareholders. A restricted share agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares.

Tax Withholding

All awards under the 2010 Plan are subject to withholding of all applicable taxes, and the Board of Directors may condition the delivery of any shares or other benefits under the 2010 Plan on satisfaction of the applicable withholding obligations. The Board of Directors, in its discretion, may permit such withholding obligation to be satisfied through cash payments, through the surrender of Common Shares

that the participant already owns, or through the surrender of Common Shares to which the participant is otherwise entitled under the 2010 Plan.

Adjustment Provisions

If any change is made to the outstanding Common Shares by reason of reorganization, recapitalization, stock split, stock dividend, combination of shares of Common Shares, merger, consolidation, share exchange, acquisition of property or stock, or any change in the capital structure of the Company, the 2010 Plan will be appropriately adjusted in the class and maximum number of shares of Common Shares subject to the 2010 Plan, and outstanding awards will be adjusted in the class, number of shares and price per share of Common Shares subject to such awards.

Effect of Certain Corporate Events

Unless otherwise provided in the grant agreement, in the event of a “change in control” (as defined in the 2010 Plan) any awards outstanding as of the date of such change in control and not then exercisable shall become fully exercisable to the full extent of the original grant. Notwithstanding the foregoing or any terms of a grant agreement to the contrary, the Board of Directors shall have full discretion to do any or all of the following with respect to an outstanding award under the 2010 Plan: (i) to cause any award to be canceled, provided notice is provided at least 15 days in advance; (ii) to provide that the securities of another entity be substituted for the Common Shares and to make equitable adjustment with respect thereto; (iii) to grant the participant the right, by giving notice during a pre-set period to surrender all or part of an Option to the Company, to receive cash in an amount equal to the amount by which the price per share of Common Shares, if any, paid in any corporate transaction that gave rise to the change in control shall exceed the amount which the participant must pay to exercise the Option per share under the Option multiplied by the number of Common Shares granted under the Option; (iv) to require the assumption of the obligation of the Company under the 2010 Plan subject to appropriate adjustment; or (v) to take any other action determines to take.

Limitation on Liability

To the maximum extent permitted by law, no member of the Board of Directors shall be liable for any action or determination made with respect to the 2010 Plan. In addition to such other rights of indemnification that they may have, the members of the Board of Directors shall be indemnified by the Company to the maximum extent permitted by law against any and all liabilities and expenses incurred in connection with their service in such capacity.

Duration, Amendment and Termination

The Board of Directors may suspend or terminate the 2010 Plan without shareholder approval or ratification at any time or from time to time. Unless sooner terminated, the 2010 Plan will terminate on June 25, 2020, the day before the tenth anniversary of the date the 2010 Plan was adopted by the Board of Directors.

The Board of Directors at any time may amend the 2010 Plan; provided, however, that any award granted before amendment of the 2010 Plan shall not be impaired by any amendment of the 2010 Plan, except with the written consent of the holder of the award. Except as provided in paragraph 6(b) relating to adjustments upon changes in Common Shares, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy the requirements of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or any securities exchange listing requirements applicable to the Company. The Board of Directors may, in its sole discretion, submit any other amendment to the 2010 Plan for shareholder approval.

Plan Benefits

No employee, director or consultant has yet been selected to receive any award under the 2010 Plan and no term or condition of any such award has been determined. Each of our directors and executive officers are eligible to receive awards under the 2010 Plan and as such, may be deemed to have an interest in the approval of the 2010 Plan.

Equity Compensation Plan Information

The following table provides information, as of March 31, 2010, with respect to all of our compensation plans under which equity securities are authorized for issuance:

	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected In Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by our shareholders: (1)	197,500	\$3.32	--
Equity compensation plans not approved by our shareholders	--	--	--

Prior to the 2010 Plan, the Company had adopted the 1996 Option Plan that covered 600,000 Common Shares. The 1996 Option Plan provides for the grant of options to purchase Common Shares to employees, officers, directors and consultants of the Company. The 1996 Option Plan is administered by the Compensation Committee appointed by the Board of Directors, which determines the terms of the options granted, including the exercise price (provided, however, that the option price shall not be less than the fair market value or less than the par value per share on the date the options granted), the number of Common Shares subject to the option and the option's exercisability. As of March 31, 2010, options granted under the 1996 Option Plan to purchase a total of 197,500 Common Shares were still outstanding. The maximum term of options granted under the 1996 Option Plan is five years. The average weighted exercise price of all options outstanding on March 31, 2010 was \$3.32 per share. As of March 31, 2010, no additional shares were available for grant under the 1996 Option Plan.

The above table does not include information relating to the 2010 Plan.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of July 6, 2010, certain information with respect to the beneficial ownership of the Company's Common Shares by (i) each person known by the Company to own beneficially more than 5% of the outstanding Common Shares outstanding as of such date, (ii) each of the director nominees, (iii) executive officers, and (iv) the officers and directors of the Company as a group.

Name of Beneficial Owner or Identify of Group ⁽¹⁾	Number of Common Shares Beneficially Owned	Percent Beneficial Owned ^(**)
Roland W. Kohl	614,067	15.57%
Tiko Aharonov	266,000 ⁽²⁾	6.74%
Dirk Hermann	119,500 ⁽³⁾	3.03%
Satoru Saito	369,980 ⁽²⁾	9.38%
May Tsang Shu Mui.....	89,171 ⁽²⁾	2.26%
George Leung Wing Chan	10,000 ⁽⁴⁾	*
Brian Geary	15,000 ⁽⁵⁾	*
Irene Wong Ping Yim	10,000 ⁽⁴⁾	*
Kevin Yang Kung Yu	18,244 ⁽⁴⁾	*
Shlomo Tamir	10,000 ⁽⁴⁾	*
Uri Bernhard Oppenheimer.....	10,000 ⁽⁴⁾	*
Cartwright Investments Limited	346,830	8.79%
Fong Po Shan	16,283 ⁽⁶⁾	*
Holger Will	1,000 ⁽⁴⁾	*

* Less than 1%.

** Under the rules of the Securities and Exchange Commission, Common Shares that an individual or group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

(1) The address of each of the named holders is c/o Highway Holdings Limited, Suite 810, Level 8, Landmark North, 39 Lung Sum Avenue, Sheung Shui, New Territories, Hong Kong.

(2) Includes stock options to purchase 20,000 Common Shares which are currently exercisable, or within 60 days.

(3) Includes stock options to purchase 18,500 Common Shares which are currently exercisable, or within 60 days.

(4) Consists of stock options to purchase Common Shares which are currently exercisable, or within 60 days.

(5) Includes stock options to purchase 10,000 Common Shares which are currently exercisable, or within 60 days.

(6) Includes stock options to purchase 5,000 Common Shares which are currently exercisable, or within 60 days.

(7) Includes stock options to purchase 15,000 Common Shares which are currently exercisable, or within 60 days.

There are no arrangements known to the Company the operation of which may at a subsequent date result in a change in control of the Company. All holders of the Common Shares have the same voting rights.

Compensation of Directors and Officers

The aggregate amount of compensation (including non-cash benefits) paid by the Company and its subsidiaries during the year ending on March 31, 2010 to all of the directors and officers listed above (13 people), for services rendered to the Company and its subsidiaries in all capacities was approximately \$834,000. Because of the Company's financial difficulties, Mr. Kohl, the Company's Chief Executive Officer, voluntarily accepted a 40% reduction in his salary in fiscal 2009 and 2010. Mr. Kohl's employment agreement was recently extended through March 2014. Since the current worldwide

economic uncertainties are continuing, until further notice Mr. Kohl has agreed to voluntarily reduce the amount of his current monthly salary by approximately 15%.

During the past fiscal year, the Company paid each non-executive director (Tiko Aharonov, Dirk Hermann, Uri Bernhard Oppenheimer, Shlomo Tamir, Kevin Yang Kuang Yu, Irene Wong Ping Yim, Brian Geary, and George Leung Wing Chan) an annualized director's fee of \$10,000, and reimbursed them for their reasonable expenses incurred in connection with their services as directors. In addition, members of any Board committee and the Chairman of the Audit Committee are paid an additional fee of \$1,660 per year for each committee on which they serve. On November 9, 2009, the Company granted to each independent director a five-year option to purchase 3,000 shares at an exercise price of \$1.65 (the trading price of the stock at the time of the option grant). The options become vested and are exercisable only after the first anniversary (November 9, 2011) of the option grant date.

SHAREHOLDER PROPOSALS AT THE NEXT ANNUAL MEETING OF SHAREHOLDERS

Shareholder proposals submitted for inclusion in the Company's Proxy Statement and form of proxy relating to the Company's 2010 Annual Meeting of Shareholders must be received by March 9, 2011. If the Company is not notified of a shareholder proposal by May 25, 2011, then the proxies held by management of the Company may provide the discretion to vote against such shareholder proposal, even though such proposal is not discussed in the Proxy Statement. Shareholder proposals should be submitted to the Company at Suite No. 810, Level 8, Landmark North, 39 Lung Sum Avenue, Sheung Shui, New Territories, Hong Kong.

OTHER MATTERS

The Board of Directors does not know of any other business which may be presented for consideration at the meeting. However, if any matters not referred to in this Proxy Statement should properly come before the meeting, the persons named in the proxies will vote the shares represented thereby in accordance with their judgment.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Shareholders may communicate directly with the Board of Directors by writing to them at Board of Directors, c/o Secretary, Highway Holdings Limited, Suite No. 810, Level 8, Landmark North, 39 Lung Sum Avenue, Sheung Shui, New Territories, Hong Kong. Such communications will be forwarded to the director or directors to whom it is addressed, except for communications that are (1) advertisements or promotional communications, (2) solely related to complaints with respect to ordinary course of business customer service and satisfaction issues, or (3) clearly unrelated to the Company's business, industry, management or Board or committee matters.

AVAILABILITY OF ANNUAL REPORT ON FORM 20-F

The Company will furnish without charge a copy of the Company's Annual Report on Form 20-F for the fiscal year ended March 31, 2010 as filed with the Securities and Exchange Commission to any shareholder desiring a copy. Shareholders may request such Annual Reports from the following: Gary S. Maier, Maier & Company, Inc. 12233 West Olympic Boulevard, Suite 258, Los Angeles, CA 90064 Phone (310) 442-9852

July 9, 2010

By Order of the Board of Directors

Po S. Fong, Secretary

HIGHWAY HOLDINGS LIMITED
2010 STOCK OPTION AND RESTRICTED STOCK PLAN

1. Purposes

The purposes of the Plan are as follows:

- (a) To attract and retain effective and capable directors, officers, employees and individual consultants of the Company and its Subsidiaries who contribute materially to the success of the Company and its Subsidiaries and to provide incentive compensation opportunities that are competitive with other similar businesses;
- (b) To bind the interests of these directors, officers, employees and individuals more closely to the Company's own interests by offering them opportunities to acquire Common Stock; and
- (c) Thereby provide these individuals with added incentive to remain in the service of the Company and its Subsidiaries and to enhance long-term shareholder returns.

2. Definitions

The following terms wherever used herein shall have the meanings set forth below.

- (a) The term "Award" shall mean an award of an Option or a Restricted Share under the Plan.
- (b) The term "Board" shall mean the Board of Directors of the Company.
- (c) The term "Change in Control of the Company" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of the Regulation 14A promulgated under the Exchange Act, whether or not the Company is in fact required to comply therewith, provided that, without limitation, such a change in control shall be deemed to have occurred if (A) any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries or a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as the ownership of Common Stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (B) during any period of two consecutive years (not including any period prior to the adoption of the Plan), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (A) or (D) of this definition) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board; (C) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in

Control of the Company; or (D) the shareholders of the Company approve a merger, share exchange or consolidation of the Company with any other corporation, other than a merger, share exchange or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power of the voting securities of the Company of such surviving entity outstanding immediately after such merger, share exchange or consolidation, or the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company's assets.

(d) The term "Committee" shall mean a committee of one or more members of the Board appointed by the Board in accordance with subparagraph 4(i).

(e) The term "Common Stock" shall mean the regular voting common shares, \$0.01 par value per share, of the Company.

(f) The term "Company" shall mean Highway Holdings Limited, a British Virgin Islands limited liability company.

(g) The term "Exchange Act" shall mean the United States Securities Exchange Act of 1934, as amended.

(h) The term "Fair Market Value" shall mean (a) the average on the applicable date of the high and low prices of a share of Common Stock on the principal national securities exchange on which shares of Common Stock are then trading, or, if shares were not traded on such date, then on the next preceding date on which a trade occurred; or (b) if Common Stock is not traded on a national securities exchange, the closing bid price (or average bid prices) last quoted on such date by an established quotation service for over-the-counter securities; or (c) if Common Stock is not traded on a national securities exchange and is not otherwise publicly traded on such date, the fair market value of a share of Common Stock as established by the Board acting in good faith and taking into consideration all factors which it deems appropriate, including, without limitation, recent sale or offer prices for the Common Stock in private arm's-length transactions. During periods when the Fair Market Value cannot be determined under any of the methods specified in clauses (a) and (b), above, the Committee shall have the authority to establish the Fair Market Value as of the beginning of (or periodically during) each fiscal year of the Company and to use such value for all transactions occurring thereafter within such fiscal year.

(i) The terms "Option" and "Stock Option" shall mean a right granted pursuant to the Plan to purchase shares of Common Stock at an exercise price and on other terms established pursuant to paragraph 7.

(j) The term "Option Agreement" shall mean the written agreement representing an Option granted as contemplated by paragraph 7.

(k) The term "Non-Employee Director" shall mean a Director who is considered a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act.

(l) The term “Plan” shall mean the Highway Holdings Limited 2010 Stock Option and Restricted Stock Plan as originally approved by the Board on June 26, 2010, as the same may be amended from time to time.

(m) The term “Restricted Share” means a share of Common Stock awarded under the Plan that is subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service or achievement of performance or other objectives, as determined by the Committee.

(n) The term “Restricted Share Agreement” means the agreement between the Company and the recipient of a Restricted Share that contains the terms, conditions and restrictions pertaining to such Restricted Share.

(o) The terms “Subsidiary” and “Subsidiaries” shall mean one or more corporations of which capital stock possessing 50% or more of the total combined voting power of all classes of its capital stock entitled to vote generally in the election of directors is owned in the aggregate by the Company directly or indirectly through one or more Subsidiaries.

3. Effective Date of the Plan

The Plan shall become effective upon approval of the shareholders of the Company, provided that the Board may grant Options and award Restricted Shares pursuant to the Plan prior to shareholder approval if the grant of such Options or the award of such Restricted Shares by its terms is contingent upon subsequent shareholder approval of the Plan.

4. Operation and Administration

(a) The Board shall administer the Plan unless and to the extent the Board delegates administration to a Committee as provided in subparagraph 4(i).

(b) The Board may establish, from time to time and at any time, subject to the limitations of the Plan as set forth herein, such rules and regulations and amendments and supplements thereto, as it deems necessary to comply with applicable law and regulation and for the proper administration of the Plan.

(c) The Board shall from time to time determine those executives and employees who shall receive Awards, and shall determine the numbers of shares on which Awards shall be granted to each such person and the nature of the Awards to be granted.

(d) Awards shall be granted by the Company and shall become effective only after prior approval of the Board, and upon the execution of an Option Agreement or a Restricted Share Agreement, as applicable, between the Company and the recipient of the Award.

(e) All Awards are subject to withholding of all applicable taxes, and the Board may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. The Board, in its discretion, and subject to such requirements as the Board may impose prior to the occurrence of such withholding, may permit such withholding obligation to be satisfied through cash payments, through the surrender of

shares of Common Stock that the participant already owns, or through the surrender of shares of Common Stock to which the participant is otherwise entitled under the Plan.

(f) The Board's interpretation and construction of the provisions of the Plan and the rules and regulations adopted by the Board shall be final, unless otherwise determined by the Board. No member of the Board or the Committee shall be liable for any action taken or determination made in good faith in respect of the Plan.

(g) The Board may impose such other terms and conditions not inconsistent with the terms of the Plan, as it deems advisable, including, without limitation, restrictions and requirements relating to (i) the registration, listing or qualification of the Common Stock, (ii) the grant or exercise of Awards, or (iii) the shares of Common Stock acquired under the Plan. The Committee may require that a participant notify the Company of any disposition of shares of Common Stock purchased under the Plan.

(h) Notwithstanding any other provisions of the Plan, the Company shall have no obligation to deliver any shares of Common Stock under the Plan or make any other distribution of benefit under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the Exchange Act and the United States Securities Act of 1933, as amended), and the applicable requirements of any securities exchange or similar entity.

(i) The Board may delegate administration of the Plan to a Committee, and the term "Committee" shall apply to any Director or Directors to whom such authority has been delegated. If administration of the Plan is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, all of the powers heretofore possessed by the Board, including the power to delegate nondiscretionary administrative duties to such employees of the Company as the Committee deems proper (and references to this Plan to the "Board" shall thereafter be to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and restore to the Board the administration of the Plan. In the discretion of the Board, the Committee may consist solely of two or more Non-Employee Directors. Within the scope of such authority, the Board or the Committee may delegate to one or more Directors who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

5. Participation in the Plan

(a) Participation in the Plan shall be limited to the directors, executives and employees of the Company and its Subsidiaries, and any consultant or other individual providing services to the Company or a Subsidiary, who shall be designated by the Board.

(b) A consultant shall not be eligible for the grant of an Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such consultant because of the nature of the services that the consultant is providing to the Company or a Subsidiary, or because the consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in

another manner under the Securities Act (*e.g.*, on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

6. Stock Subject to the Plan

(a) There shall be reserved for the granting of Awards pursuant to the Plan, and for issuance and sale pursuant to such Awards, 600,000 shares of Common Stock. To determine the number of shares of Common Stock available at any time for the granting of Awards, there shall be deducted from the total number of reserved shares of Common Stock, the number of shares of Common Stock in respect of which Awards have been made pursuant to the Plan that are still outstanding or have been exercised. If any shares subject to an Award are withheld and not delivered to a participant because the Award is exercised through a reduction of shares subject to the Award (*i.e.*, “net exercised”), the number of shares that are withheld shall no longer be available for issuance under the Plan. If any shares subject to an Award are not delivered to a participant because such shares are withheld in satisfaction of the withholding of taxes incurred in connection with the exercise of an Option, or the award of Restricted Shares, the number of shares that are not delivered to the participant shall no longer be available for subsequent issuance under the Plan. If the exercise price of any Option is satisfied by tendering shares of Common Stock held by the participant (either by actual delivery or attestation), the number of shares so tendered shall not remain available for subsequent issuance under the Plan. The shares of Common Stock to be issued in connection with Awards made pursuant to the Plan shall be made available from the authorized and unissued shares of Common Stock or shares subsequently acquired by the Company as treasury shares. If for any reason shares of Common Stock as to which an Award has been made are forfeited or otherwise cease to be subject to purchase thereunder, then such shares of Common Stock again shall be available for issuance in connection with Awards made pursuant to the Plan.

(b) In the event of reorganization, recapitalization, stock split, stock dividend, combination of shares of Common Stock, merger, consolidation, share exchange, acquisition of property or stock, or any change in the capital structure of the Company, the Board shall make such adjustments as may be appropriate, in its discretion, in the number and kind of shares reserved for Awards and in the number, kind and price of shares covered by Awards made pursuant to the Plan.

7. Terms and Conditions of Options

(a) Each Option granted pursuant to the Plan shall be evidenced by an Option Agreement in such form as the Board from time to time may determine.

(b) The exercise price per share for Options shall be established by the Board at the time of the grant of Options pursuant to the Plan. The exercise price for Options granted to participants subject to taxation in the United States shall not be less than the Fair Market Value of a share of Common Stock on the date on which the Option is granted. The exercise price of Options granted to participants who are not subject to taxation in the United States shall be established by the Board and may, in the Board’s discretion, be less than the Fair Market Value.

If the Board does not establish a specific exercise price per share at the time of grant, the exercise price per share shall be equal to the Fair Market Value of a share of Common Stock on the date of grant of the Option.

(c) The term of each Option shall be determined by the Board at the time of grant of the Option, provided that if no term is established by the Board, the term of the Option shall be five years from the date on which it is granted.

(d) The Board may provide in the Option Agreement that the right to exercise each Option for the number of shares subject to each Option shall vest in the Option holder over such period of time, or upon the occurrence of such event, contingency or condition (which may be based on performance or other criteria), as the Board, in its discretion, shall determine for each Option holder. The vesting provisions of individual Options may vary. If the Board does not designate a vesting schedule, the Option shall be exercisable immediately after the date of grant.

(e) Options shall be nontransferable and nonassignable, except that Options may be transferred by testamentary instrument or by the laws of descent and distribution. Notwithstanding the foregoing, the Board may set forth in the Option Agreement at the time of grant or thereafter, that the Option may be transferred to members of the optionee's immediate family, to trusts solely for the benefit of such immediate family members, and to partnerships in which such family members and/or trusts are the only partners. For this purpose, immediate family means the optionee's spouse, parents, children, stepchildren, grandchildren, and legal dependents. Any transfer of Options made under this provision shall not be effective until notice of such transfer is delivered to the Company. In the event an Option is transferred in accordance with the foregoing, the Option shall be exercisable solely by the transferee and shall remain subject to the provisions of the Plan.

(f) In the case of an Option holder who is an employee of the Company or its Subsidiaries, upon voluntary or involuntary termination of an Option holder's active employment for any reason (including illness or disability), the holder's Option and all rights thereunder shall terminate effective at the close of business on the date the Option holder ceases to be an active, regular employee of the Company or any of its subsidiaries, except (i) to the extent previously exercised and (ii) as provided in subparagraphs (g), (h) and (i) of this paragraph 7.

(g) In the event an employee Option holder (i) takes a leave of absence from the Company or any of its Subsidiaries for personal reasons or (ii) terminates his employment or ceases providing services to the Company and any of its Subsidiaries, by reason of illness, disability, voluntary termination with the consent of the Board, or other special circumstances, the Board may consider his case and may take such action in respect of the related Option Agreement as it may deem appropriate under the circumstances, including accelerating the time previously granted Options may be exercised and extending the time following the Option holder's termination of active employment during which the Option holder is entitled to purchase the shares of Common Stock subject to such Options, provided that in no event may any Option be exercised after the expiration of the term of the Option.

(h) If an Option holder dies during the term of his Option without having fully exercised his Option, the executor or administrator of his estate or the person who inherits the

right to exercise the Option by bequest or inheritance shall have the right at any time following the Option holder's death to purchase the number of shares of Common Stock that the deceased Option holder was entitled to purchase at the date of his death, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option. In the event of the death of the transferee of an Option transferred in accordance with subparagraph 7(e), above, the Option shall be exercisable by the executors, administrators, legatees or distributees of the transferee's estate, as the case may be, for a period of one (1) year following the date of the transferee's death, provided that in no event may the Option be exercised after the expiration of the term of the Option.

(i) If an Option holder terminates employment without his having fully exercised his Option due to his retirement with the consent of the Company, then such Option holder shall have the right within 90 days of the Option holder's termination of employment to purchase the number of shares of Common Stock that the Option holder was entitled to purchase at the date of his termination, after which the Option shall lapse, provided that in no event may any Option be exercised after the expiration of the term of the Option. The Board may cancel an Option during the 90-day period referred to in this paragraph, if the participant engages in employment or activities contrary, in the opinion of the Board, to the best interests of the Company. The Board shall determine in each case whether a termination of employment shall be considered a retirement with the consent of the Company, and, subject to applicable law, whether a leave of absence shall constitute a termination of employment. Any such determination of the Board shall be final and conclusive.

(j) On receipt of written notice of exercise, the Board may elect to cash out all or part of the portion of any stock Option to be exercised by paying the participant an amount, in cash or Common Stock, equal to the excess of the Fair Market Value of the Common Stock that is subject to the Option over the Option Price times the number of Common Shares subject to the Option on the effective date of such cash-out.

8. Methods of Exercise of Options

(a) An Option holder (or other person or persons, if any, entitled to exercise an Option hereunder) desiring to exercise an Option granted pursuant to the Plan as to all or part of the shares of Common Stock covered by the Option shall (i) notify the Company in writing at its principal office to that effect, specifying the number of shares of Common Stock to be purchased and the method of payment therefor, and (ii) make payment or provisions for payment for the shares of Common Stock so purchased in accordance with this paragraph 8. Such written notice may be given by means of a facsimile transmission. If a facsimile transmission is used, the Option holder should mail the original executed copy of the written notice to the Company promptly thereafter.

(b) Payment or provision for payment shall be made as follows:

(i) The Option holder shall deliver to the Company at the address set forth in subparagraph 8(a), cash in an amount equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or

(ii) The Option holder shall tender to the Company, by either actual delivery of shares or by attestation, shares of Common Stock already owned by the Option holder that, together with any cash tendered therewith, have an aggregate fair market value (determined based on the Fair Market Value on the date the notice set forth in subparagraph 8(a) is received by the Company) equal to the aggregate purchase price of the shares of Common Stock as to which such exercise relates; or

(iii) The Option holder shall deliver to the Company an exercise notice, together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the aggregate purchase price of the shares of Common Stock as to which such exercise relates and to sell the shares (or a sufficient portion of the shares) of Common Stock to be issued upon exercise of the Option to pay the exercise price and any tax withholding resulting from such exercise and deliver the cash proceeds, less commissions and brokerage fees, to the Option holder or to deliver the remaining shares of Common Stock to the Option holder.

Notwithstanding the foregoing provisions, the Board, in granting Options pursuant to the Plan, may limit the methods in which an Option may be exercised by an person and, in processing any purported exercise of an Option granted pursuant to the Plan, may refuse to recognize the method of exercise selected by the Option holder (other than the method of exercise set forth in subparagraph 8(b)(i)).

(c) An Option holder at any time may elect in writing to abandon an Option in respect of all or part of the number of shares of Common Stock as to which the Option shall not have been exercised.

(d) An Option holder shall have none of the rights of a shareholder of the Company until the shares of Common Stock covered by the Option are issued to him upon exercise of the Option.

9. Terms and Conditions of Restricted Share Awards

(a) Each award of Restricted Shares under the Plan shall be evidenced by a Restricted Share Agreement between the recipient and the Company in such form as the Board from time to time may determine. Such Restricted Shares shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. The provisions of the various Restricted Share Agreements entered into under the Plan need not be identical.

(b) Restricted Shares may be sold or awarded under the Plan for such consideration as the Board may determine, including (without limitation) cash, cash equivalents, full-recourse promissory notes, past services and future services; provided, however, that to the extent that an Award consists of newly issued Restricted Shares, the Award recipient shall furnish consideration with a value not less than the par value of such Restricted Shares in the form of cash equivalents or past services rendered to the Company or its subsidiaries, as the Board may determine.

(c) Each award of Restricted Shares may or may not be subject to forfeiture to the Company, or “vesting.” Vesting shall occur, in full or in installments, upon satisfaction of the

conditions specified in the Restricted Share Agreement. During any restricted period, the recipient shall not be permitted to sell, transfer, pledge or assign Restricted Shares awarded under this Plan. In the event of the recipient's retirement, disability or death, or in cases of special circumstances, the Board, in its sole discretion, may waive, in whole or in part, any or all remaining restrictions with respect to such recipient's Restricted Shares.

(d) The holders of Restricted Shares awarded under the Plan shall have the same voting, dividend and other rights as the Company's other shareholders. A Restricted Share Agreement, however, may require that the holders of Restricted Shares invest any cash dividends received in additional Restricted Shares. Such additional Restricted Shares shall be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid.

(e) When an Award of Restricted Shares is granted hereunder, the Company shall issue a certificate or certificates in respect of such Restricted Shares, which shall be registered in the name of the recipient and, if applicable, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award in substantially the following form:

"The transferability of the shares represented by this certificate are subject to the terms and conditions (including forfeiture) of a Restricted Share Agreement entered into between the registered owner and Highway Holdings Limited. A copy of such agreement is on file in the offices of the Secretary of the Company."

10. Cancellation and Rescission of Awards

Unless the Option Agreement or Restricted Share Agreement specifies otherwise, the Board may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid, or deferred Awards at any time if the participant is not in compliance with all applicable provisions of the applicable Award Agreement and the Plan.

11. Amendments and Discontinuance of the Plan

(a) The Board at any time, and from time to time, may amend the Plan; provided, however, that any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan, except with the written consent of the holder of the Award. Except as provided in paragraph 6(b) relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy the requirements of Rule 16b-3 or any securities exchange listing requirements applicable to the Company. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval.

(b) The Board at any time, and from time to time, may amend the terms of any one or more outstanding Awards; provided, however, that no Award shall be impaired by any such amendment, except with the written consent of the holder of the Award.

12. Plan Subject to Governmental Laws and Regulations

The Plan and the terms of the Awards made pursuant to the Plan shall be subject to all applicable governmental laws and regulations. Notwithstanding any other provision of the Plan to the contrary, the Board may in its sole and absolute discretion make such changes in the Plan as may be required to conform the Plan to such laws and regulations.

13. Non-Guarantee of Employment

Nothing in the Plan or in any Award granted pursuant to the Plan shall be construed as a contract of employment between the Company or a Subsidiary, and selection of any individual as a participant in the Plan will not give that individual the right to continue in the employ of the Company or a Subsidiary, the right to continue to provide services to the Company or any Subsidiary or as a limitation of the right of the Company or a Subsidiary to discharge any participating employee or any other individual at any time.

14. Exclusion From Retirement and Fringe Benefit Computation

No portion of any Award under this Plan shall be taken into account as “wages,” “salary” or “compensation” for any purpose, whether in determining eligibility, benefits or otherwise, under (i) any pension, retirement, profit sharing or other qualified or non-qualified plan of deferred compensation, (ii) any employee welfare or fringe benefit plan including, but not limited to, group insurance, hospitalization, medical, and disability, or (iii) any form of extraordinary pay including but not limited to bonuses, sick pay and vacation pay.

15. Change In Control Provisions

Notwithstanding any other provision of the Plan to the contrary, unless otherwise provided in an Option Agreement or a Restricted Share Agreement, in the event of a Change in Control:

(a) Any Awards outstanding as of the date of such Change in Control and not then exercisable shall become fully exercisable to the full extent of the original grant;

(b) The Board shall have full discretion, notwithstanding anything herein or in an Option Agreement or a Restricted Share Agreement to the contrary, to do any or all of the following with respect to an outstanding Award:

(1) To cause any Award to be canceled, provided notice of at least 15 days thereof is provided before the date of cancellation;

(2) To provide that the securities of another entity be substituted hereunder for the Common Stock and to make equitable adjustment with respect thereto;

(3) To grant the participant by giving notice during a pre-set period to surrender all or part of an Option to the Company and to receive cash in an amount equal to the amount by which the price per share of Common Stock, if any, paid in any corporate transaction that gave rise to the Change in Control shall exceed the amount which the participant must pay to

exercise the Option per share of Common Share under the Option (the “Spread”) multiplied by the number of Common Shares granted under the Option;

(4) To require the assumption of the obligation of the Company under the Plan subject to appropriate adjustment; and

(5) To take any other action the Board determines to take.

16. Liability Limited; Indemnification

(a) To the maximum extent permitted by law, neither the Board or the Committee, nor any of the members of the Board or the Committee, shall be liable for any action or determination made with respect to this Plan.

(b) In addition to such other rights of indemnification that they may have, the members of the Board and the Committee shall be indemnified by the Company to the maximum extent permitted by law against any and all liabilities and expenses incurred in connection with their service in such capacity.

17. Miscellaneous

(a) The headings in this Plan are for reference purposes only and shall not affect the meaning or interpretation of the Plan.

(b) This Plan shall be governed by, and construed in accordance with, the laws of British Virgin Islands without regard to principles of conflict of laws of any jurisdiction.

(c) All notices and other communications made or given pursuant to this Plan shall be in writing and shall be sufficiently made or given if delivered or mailed, addressed to the participant at the address contained in the records of the Company or to the Company at its principal executive offices.

18. Duration of the Plan

(a) Unless sooner terminated by the Board, the Plan shall automatically terminate on the day before the tenth anniversary of the date the Plan is adopted by the Board. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Suspension or termination of the Plan shall not impair rights and obligations under any Award granted while the plan is in effect, except with the written consent of the Participant.