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

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

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**五菱汽車集團控股有限公司**  
**WULING MOTORS HOLDINGS LIMITED**

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

**REVISED ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS —  
(1) KE PURCHASE TRANSACTIONS;  
(2) BAOMALI PURCHASE TRANSACTIONS; AND  
(3) GB TRADING TRANSACTIONS**

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



**普頓資本有限公司**  
**PROTON CAPITAL LIMITED**

A letter from the Board (as defined herein) is set out on pages 5 to 20 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on pages 21 to 22 of this circular. A letter from Proton Capital, the Independent Financial Adviser (as defined herein), containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 41 of this circular.

A notice convening the SGM (as defined herein) of the Company to be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, on Friday, 8 November 2013 at 3:00 p.m. is set out on pages 50 to 51 of this circular.

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

22 October 2013

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baomali”	柳州五菱寶馬利汽車空調有限公司 (Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 42% of its total registered capital
“Baomali Purchase Agreement”	the agreement dated 31 January 2011 entered into between Wuling Industrial and Baomali in relation to the Baomali Purchase Transactions for a term of three years from 1 January 2011 to 31 December 2013
“Baomali Purchase Transactions”	purchase of certain automotive air-conditioners, related parts and accessories by Wuling Industrial Group from Baomali which are regarded as continuing connected transactions for the Company under the Listing Rules
“Board”	board of Directors
“Company”	Wuling Motors Holdings Limited (五菱汽車集團控股有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“First Revised GB Trading Agreement”	the agreement dated 9 September 2011 entered into between Wuling Industrial and Guilin Bus to replace the GB Trading Agreement for a term of three years from 1 January 2011 to 31 December 2013
“GB Purchase Transactions”	purchase of passenger mini-buses and its related accessories by Wuling Industrial Group from Guilin Bus which are regarded as continuing connected transactions for the Company under the Listing Rules
“GB Sale Transactions”	sale of parts and raw materials by Wuling Industrial Group to Guilin Bus which are regarded as continuing connected transactions for the Company under the Listing Rules

## DEFINITIONS

“GB Trading Agreement”	the agreement dated 31 January 2011 entered into between Wuling Industrial and Guilin Bus in relation to the GB Trading Transactions for a term of three years from 1 January 2011 to 31 December 2013
“GB Trading Transactions”	the GB Purchase Transactions and the GB Sale Transactions
“Group”	the Company and its subsidiaries
“Guilin Bus”	桂林客車發展有限責任公司 (Guilin Bus Development Co., Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 75.5% of its total registered capital
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to consider the terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Liuzhou Wuling and its associates
“Independent Third Party(ies)”	person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company
“KE Digital”	柳州科爾數字化製造技術有限公司 (Liuzhou Keer Digital Manufacturing Co., Limited*), a company established in the PRC and a wholly-owned subsidiary of Liuzhou Wuling
“KE Purchase Agreement”	the agreement dated 30 December 2011 entered into between Wuling Industrial and KE Digital in relation to the KE Purchase Transactions for a term of three years from 1 January 2012 to 31 December 2014
“KE Purchase Transactions”	purchase of certain electronic devices and components by Wuling Industrial Group from KE Digital which are regarded as continuing connected transactions for the Company under the Listing Rules
“Latest Practicable Date”	18 October 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

## DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liuzhou Wuling”	柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited*), a wholly state-owned limited enterprise established in the PRC, being the ultimate beneficial controlling shareholder of the Company which is indirectly interested in approximately 37.03% of the total issued share capital of the Company
“PRC”	The People’s Republic of China
“Proton Capital” or “Independent Financial Adviser”	Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder
“Revised Baomali Purchase Agreement”	the agreement dated 18 September 2013 entered into between Wuling Industrial and Baomali to revise the annual cap set out in the Baomali Purchase Agreement for the Baomali Purchase Transactions for the year ending 31 December 2013
“Revised KE Purchase Agreement”	the agreement dated 18 September 2013 entered into between Wuling Industrial and KE Digital to revise the annual caps set out in the KE Purchase Agreement for the KE Purchase Transactions for the two years ending 31 December 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Second Revised GB Trading Agreement”	the agreement dated 18 September 2013 entered into between Wuling Industrial and Guilin Bus to revise the annual caps set out in the First Revised GB Trading Agreement for the GB Trading Transactions for the year ending 31 December 2013
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

## DEFINITIONS

“SGM”	the special general meeting of the Company to be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 8 November 2013 at 3:00 p.m. for the purpose of considering and, if thought fit, approving, the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder
“Shareholder(s)”	holder(s) of ordinary shares of HK\$0.004 each in the share capital of the Company
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuling (HK)”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder directly interested in approximately 37.03% of the total issued share capital of the Company and is an indirect wholly-owned subsidiary of Liuzhou Wuling
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

*In this circular, unless otherwise specified, conversion of RMB into Hong Kong dollars is, based on the exchange rate of RMB1 to HK\$1.2693, for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

*Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

\* For identification purpose only



五菱汽車集團控股有限公司  
**WULING MOTORS HOLDINGS LIMITED**

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

*Executive Directors:*

Mr. Sun Shaoli  
Mr. Lee Shing  
Mr. Wei Hongwen  
Mr. Zhong Xianhua  
Ms. Liu Yaling  
Mr. Zhou Sheji

*Independent non-executive Directors:*

Mr. Yu Xiumin  
Mr. Zuo Duofu  
Mr. Ye Xiang

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit 2403, 24/F  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

22 October 2013

*To the Shareholders, and for information only,  
holders of options of the Company and holders  
of convertible notes issued by the Company*

Dear Sir or Madam,

**REVISED ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS —  
(1) KE PURCHASE TRANSACTIONS;  
(2) BAOMALI PURCHASE TRANSACTIONS; AND  
(3) GB TRADING TRANSACTIONS**

**1. INTRODUCTION**

References are made to the announcements of the Company dated 18 September 2013 and 23 September 2013 respectively. The main purpose of this circular is to provide you with, among other things, (i) further information in respect of the revised annual caps for the KE Purchase Transactions, Baomali Purchase Transactions and GB Trading Transactions; (ii) the letter of recommendation thereon from the Independent Board Committee; (iii) the letter of advice thereon from Proton Capital; and (iv) the notice of the SGM.

## LETTER FROM THE BOARD

### 2. REVISION OF THE EXISTING ANNUAL CAPS FOR THE KE PURCHASE TRANSACTIONS

#### A. Background

As the business development of Wuling Industrial Group in the eight months ended 31 August 2013 was better than budgeted and is expected to continue expanding in the remaining months of 2013 and the year ending 31 December 2014, it is expected that the existing annual caps for the KE Purchase Transactions will not be sufficient for the years ending 31 December 2013 and 2014. As a result, on 18 September 2013 (after trading hours), Wuling Industrial and KE Digital entered into the Revised KE Purchase Agreement, pursuant to which the annual caps for the KE Purchase Transactions will be revised from RMB7 million (equivalent to approximately HK\$9 million) for each of the years ending 31 December 2013 and 2014 to RMB11 million (equivalent to approximately HK\$14 million) and RMB15 million (equivalent to approximately HK\$19 million) respectively.

Save for the revision to the annual caps for the KE Purchase Transactions for each of the two years ending 31 December 2014, all other terms and conditions of the Revised KE Purchase Agreement (as compared to the KE Purchase Agreement) remain unchanged.

Payments for the purchase of electronic devices and components by the Group from KE Digital will be settled by way of cash or such manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the purchase documents to be entered into between Wuling Industrial and KE Digital. The payment terms will be on market terms which are no less favourable than those available from Independent Third Parties to the Group.

The pricing for products supplied by KE Digital to Wuling Industrial will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin (which will be determined by reference to the prices of similar products supplied by KE Digital to other Independent Third Parties and the estimated profit margin earned by Wuling Industrial from the sale of the end products.)

Standard control procedures over the purchasing activities of the Group, which comprise, inter alia, selection processes of suppliers, price determination processes of the cost of purchases, and quality evaluation processes of the purchases, were adopted and implemented on the KE Purchase Transactions in order to ensure the above payment terms and pricing basis of the KE Purchase Transactions will be on market terms which are no less favourable than those available from Independent Third Parties. Besides, the Group will also periodically request KE Digital to provide its costs and sale records of the products supplied to both the Group and other Independent Third Parties to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial from the sale of the end products.



## LETTER FROM THE BOARD

In addition, the KE Purchase Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the KE Purchase Transactions, will be set out in the Company's next annual report following the occurrence of the KE Purchase Transactions. In order to facilitate the review process, KE Digital will also provide its relevant records to the auditors of the Company during their course of review.

### **B. Historical transaction amounts and revised annual caps**

Set out below is a summary of (i) the historical transaction amounts of the KE Purchase Transactions during the year ended 31 December 2012 and the eight months ended 31 August 2013; (ii) the existing annual caps for the KE Purchase Transactions for each of the three years ending 31 December 2014; and (iii) the revised annual caps for the KE Purchase Transactions for the two years ending 31 December 2014:

	<b>Year ended 31 December 2012</b>	<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>	<b>31 December 2014</b>
	(Audited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	3,477	5,336	—	—
Existing annual caps	7,000	—	7,000	7,000
<i>Utilization rate</i>	49.7%	76.2%		
		<i>(Note)</i>		
Revised annual caps	N/A		11,000	15,000
<i>Percentage of increment</i>	N/A		57.1%	36.4%

*Note:* Utilization rate for the eight months ended 31 August 2013 is calculated based on the historical transaction amount during such eight-month period and the existing annual cap for the year ending 31 December 2013.

The above revised annual caps are determined with references to (i) the historical transaction amounts of the KE Purchase Transactions during the eight months ended 31 August 2013; and (ii) the target sale volume of certain products, primarily certain models of specialized vehicles manufactured by Wuling Industrial Group and passenger mini-buses sourced from Guilin Bus, for the two years ending 31 December 2014. These products refer to certain models of specialized vehicles and passenger mini-buses, in which the electronic devices and related components sourced under the KE Purchase Transactions, are standardized components in their product specifications. In addition, buffers of 12% and 12% respectively on the expected KE Purchase Transactions to cater for any unforeseeable circumstances in the two years ending 31 December 2014, in

## LETTER FROM THE BOARD

particular for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, and a growth rate of approximately 36% for the transactions in the year ending 31 December 2014 as compared to the year ending 31 December 2013 have also been included when considering the revised annual caps. The basis of the 36% growth rate is determined with reference to the average monthly transaction amount from March 2013 up to August 2013 and the projected volume of two additional electronic devices and components to be supplied by KE Digital in 2014.

### **C. Reasons for the Revised KE Purchase Agreement**

KE Digital is principally engaged in (i) the research, development and provision of various kinds of services involving digital technology as well as other computer hardware and software knowhow and technology; (ii) the design and production of various kinds of specialized moulds and equipment; and (iii) the design and production of various kinds of electronic devices and components for motor vehicles.

The Group, including Wuling Industrial Group, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services in the PRC. As certain products (primarily certain models of specialized vehicles, including the electric vehicles of the Group and the passenger mini-buses of Guilin Bus) require specific electronic devices and components designed and produced by KE Digital, the Group has to purchase such electronic devices and components from KE Digital for self-consumption in respect of the production of electric vehicles and, as a centralized procurement center, for resale to Guilin Bus (with or without further processing) which then uses such electronic devices and components to manufacture its passenger mini-buses and forms part of the GB Sale Transactions.

A business plan was originally formulated between Wuling Industrial and KE Digital in relation to the execution of the KE Purchase Agreement in which the annual caps for the KE Purchase Transactions set out therein were determined based on a production forecast of Wuling Industrial and estimated orders from Guilin Bus for the three years ending 31 December 2014. Recently, there is an increase in orders from its customers, in particular Guilin Bus, for various kinds of electronic devices and components used in its passenger mini-buses for the period from 1 September 2013 to 31 December 2013. Such increase is primarily due to the increase in production forecast of Guilin Bus's passenger mini-buses from the original plan as detailed below in the section headed "4. Revision of the existing annual caps for the GB Trading Transactions". The Directors expected that the trend of business growth will continue for the year ending 31 December 2014 based on increased sale volume from March 2013 to August 2013 and the expected increase in target sale volume for the remaining months of 2013. Wuling Industrial have amended the production forecast and revised the business plan, including the annual caps for the KE Purchase Transactions for the years ending 31 December 2013 and 2014, with KE Digital for the KE Purchase Transactions.

## LETTER FROM THE BOARD

Given that each of the KE Purchase Transactions contemplated under the Revised KE Purchase Agreement is in ordinary and usual course of business of the Group, will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available from Independent Third Parties, in particular, the prices of the products under the KE Purchase Transactions will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favourable than those available from Independent Third Parties, the Directors, including the independent non-executive Directors, consider that the terms, including the pricing basis and payment terms of each of the KE Purchase Transactions and the revised annual caps (with the buffers mentioned above) for the KE Purchase Transactions for the years ending 31 December 2013 and 2014, of the Revised KE Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

### **3. REVISION OF THE EXISTING ANNUAL CAP FOR THE BAOMALI PURCHASE TRANSACTIONS**

#### **A. Background**

As the business development of Wuling Industrial Group in the eight months ended 31 August 2013 was better than budgeted and is expected to continue expanding in the remaining months of 2013, it is expected that the existing annual cap for the Baomali Purchase Transactions will not be sufficient for the year ending 31 December 2013. As a result, on 18 September 2013 (after trading hours), Wuling Industrial and Baomali entered into the Revised Baomali Purchase Agreement, pursuant to which the annual cap for the Baomali Purchase Transactions for the year ending 31 December 2013 will be revised from RMB5.8 million (equivalent to approximately HK\$7 million) to RMB14 million (equivalent to approximately HK\$18 million).

Save for the revision to the annual cap for the Baomali Purchase Transactions for the year ending 31 December 2013, all other terms and conditions of the Revised Baomali Purchase Agreement (as compared to the Baomali Purchase Agreement) remain unchanged.

Payments for the purchase of automotive air-conditioners, related parts and accessories by the Group from Baomali will be settled by way of cash or such manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the purchase documents to be entered into between Wuling Industrial and Baomali. The payment terms will be on market terms which are no less favourable than those available from Independent Third Parties to the Group.

The pricing for products supplied by Baomali to Wuling Industrial will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin (which will be determined by reference to the estimated profit margin earned by Wuling Industrial from the sale of the end products).

## LETTER FROM THE BOARD

Standard control procedures over the purchasing activities of the Group, which comprise, inter alia, selection processes of suppliers, price determination processes of the cost of purchases, and quality evaluation processes of the purchases, were adopted and implemented on the Baomali Purchase Transactions in order to ensure the above payment terms and pricing basis of the Baomali Purchase Transactions will be on market terms which are no less favourable than those available from Independent Third Parties. Besides, the Group will also periodically request Baomali to provide its costs and sale records of the products supplied to the Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial from the sale of the end products.

In addition, the Baomali Purchase Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the Baomali Purchase Transactions, will be set out in the Company's next annual report following the occurrence of the Baomali Purchase Transactions. In order to facilitate the review process, Baomali will also provide its relevant records to the auditors of the Company during their course of review.

### **B. Historical transaction amounts and revised annual cap**

Set out below is a summary of (i) the historical transaction amounts of the Baomali Purchase Transactions during the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013; (ii) the existing annual caps for the Baomali Purchase Transactions for each of the three years ending 31 December 2013; and (iii) the revised annual cap for the Baomali Purchase Transactions for the year ending 31 December 2013:

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(Audited)	(Audited)	(Unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	1,779	3,468	3,613	—
Existing annual caps	3,200	4,000	—	5,800
<i>Utilization rate</i>	55.6%	86.7%	62.3%	
			<i>(Note)</i>	
Revised annual cap	N/A	N/A		14,000
<i>Percentage of increment</i>	N/A	N/A		250%

*Note:* Utilization rate for the eight months ended 31 August 2013 is calculated based on the historical transaction amount during such eight-month period and the existing annual cap for the year ending 31 December 2013.

## LETTER FROM THE BOARD

The above revised annual cap is determined with references to (i) the historical transaction amounts of the Baomali Purchase Transactions during the eight months ended 31 August 2013; and (ii) the target sale volume of certain products, primarily certain models of specialized vehicles manufactured by Wuling Industrial Group and passenger mini-buses sourced from Guilin Bus, for the year ending 31 December 2013. These products refer to certain models of specialized vehicles and passenger mini-buses, in which the automotive air-conditioners, related parts and accessories sourced under the Baomali Purchase Transactions, are standardized components in their product specifications. In addition, a buffer of 6% on the expected Baomali Purchase Transactions to cater for any unforeseeable circumstances, in particular for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, has also been included when considering the revised annual cap.

### **C. Reasons for the Revised Baomali Purchase Agreement**

Baomali is principally engaged in: (i) the design, manufacture and sale of automotive air-conditioners, related parts and accessories and provision of related services; (ii) the import and export of ironware, plastics and merchandises; and (iii) the import and export of technologies.

The Group, including Wuling Industrial Group, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services in the PRC. As certain products of the Group and the passenger mini-buses of Guilin Bus require the automotive air-conditioners, related parts and accessories designed and produced by Baomali, the Group has to purchase such products from Baomali for self-consumption in respect of the production of automotive components and accessories and, as a centralized procurement center, for resale to Guilin Bus (with or without further proceed) which then uses such components and accessories to manufacture its passenger mini-buses and form parts of the GB Sale Transactions.

A business plan was originally formulated between Wuling Industrial and Baomali in relation to the execution of the Baomali Purchase Agreement in which the annual caps for the Baomali Purchase Transactions set out therein were determined based on a production forecast of Wuling Industrial, and estimated orders from Guilin Bus for the three years ending 31 December 2013. Recently, there is an increase in orders from its customers, in particular Guilin Bus, for various kinds of automotive air-conditioners, related parts and accessories used in its passenger mini-buses for the period from 1 September 2013 to 31 December 2013. Such increase is primarily due to the increase in production forecast of Guilin Bus's passenger mini-buses from the original plan as detailed below in the section headed "4. Revision of the existing annual caps for the GB Trading Transactions". Wuling Industrial have amended the production forecast and revised the business plan, including the annual cap for the Baomali Purchase Transactions for the year ending 31 December 2013, with Baomali for the Baomali Purchase Transactions.

## LETTER FROM THE BOARD

Given that each of the Baomali Purchase Transactions contemplated under the Revised Baomali Purchase Agreement is in ordinary and usual course of business of the Group, will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available from Independent Third Parties, in particular, the prices of the products under the Baomali Purchase Transactions will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favourable than those available from Independent Third Parties. The Directors, including the independent non-executive Directors, consider that the terms, including the pricing basis and payment terms of each of the Baomali Purchase Transactions and the revised annual cap (with the buffer mentioned above) for the Baomali Purchase Transactions for the year ending 31 December 2013, of the Revised Baomali Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

#### **4. REVISION OF THE EXISTING ANNUAL CAPS FOR THE GB TRADING TRANSACTIONS**

##### **A. Background**

As the business developments of both Wuling Industrial Group and Guilin Bus in the eight months ended 31 August 2013 were better than budgeted and are expected to continue expanding in the remaining months of 2013, it is expected that the existing annual caps for the GB Trading Transactions will not be sufficient for the year ending 31 December 2013. As a result, on 18 September 2013 (after trading hours), Wuling Industrial and Guilin Bus entered into the Second Revised GB Trading Agreement, pursuant to which the annual caps for the GB Sale Transactions and GB Purchase Transactions for the year ending 31 December 2013 will be revised from RMB150 million (equivalent to approximately HK\$190 million) and RMB220 million (equivalent to approximately HK\$279 million) to RMB350 million (equivalent to approximately HK\$444 million) and RMB420 million (equivalent to approximately HK\$533 million) respectively.

Save for the revision to the annual caps for the GB Trading Transactions for the year ending 31 December 2013, all other terms and conditions of the Second Revised GB Trading Agreement (as compared to the First Revised GB Trading Agreement) remain unchanged.

Both of payments for (i) the purchase of passenger mini-buses and its related accessories by the Group from Guilin Bus; and (ii) the sale of parts and raw materials by the Group to Guilin Bus, will be settled by way of cash or such manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the purchase or sale documents to be entered into between Wuling Industrial and Guilin Bus. The payment terms will be on market terms which are no less favourable than those available from/to Independent Third Parties to/from the Group.

## LETTER FROM THE BOARD

The pricing for products supplied by Wuling Industrial to Guilin Bus will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin and will be determined no less favourable than those available to Independent Third Parties.

The pricing for products supplied by Guilin Bus to Wuling Industrial will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin (which will be determined by reference to the estimated profit margin earned by Wuling Industrial from the sale of the end products and the prices of similar products available in the market obtained from the Group's authorized distributors).

Standard control procedures over the purchasing activities of the Group, which comprise, inter alia, selection processes of suppliers, price determination processes of the cost of purchases, and quality evaluation processes of the purchases, were adopted and implemented on the GB Purchase Transactions in order to ensure the above payment terms and pricing basis of the GB Purchase Transactions will be on market terms which are no less favourable than those available from Independent Third Parties. Besides, the Group will also periodically request Guilin Bus to provide its costs and sale records of the products supplied to the Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial from the sale of the end products and obtain the market prices of similar products from the Group's authorized distributors to assess the competitiveness of the prices charged by Guilin Bus. For GB Sale Transactions, the Group has adopted its standard pricing policies in order to ensure the above payment terms and pricing basis of the GB Sale Transactions will be on market terms which are no less favourable than those available to Independent Third Parties, which comprise the charging of a reasonable profit margin over the cost of production. In this regard, the Group will conduct periodic review of the profit margins earned from the GB Sale Transaction as compared to the profit margins earned from products sold to other Independent Third Parties.

In addition, the GB Trading Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GB Trading Transactions, will be set out in the Company's next annual report following the occurrence of the GB Trading Transactions. In order to facilitate the review process, Guilin Bus will also provide its relevant records to the auditors of the Company during their course of review.

**LETTER FROM THE BOARD**

**B. Historical transaction amounts and revised annual caps**

Set out below is a summary of (i) the historical transaction amounts of the GB Trading Transactions during the years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013; (ii) the existing annual caps for the GB Trading Transactions for each of the three years ending 31 December 2013; and (iii) the revised annual caps for the GB Trading Transactions for the year ending 31 December 2013:

*GB Sale Transactions*

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(Audited)	(Audited)	(Unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	67,572	108,050	135,612	—
Existing annual caps	80,000	110,000	—	150,000
<i>Utilization rate</i>	84.5%	98.2%	90.4%	
			<i>(Note)</i>	
Revised annual cap	N/A	N/A		350,000
<i>Percentage of increment</i>	N/A	N/A		218.2%

*GB Purchase Transactions*

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(Audited)	(Audited)	(Unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	89,397	159,973	183,328	—
Existing annual caps	120,000	160,000	—	220,000
<i>Utilization rate</i>	74.5%	99.9%	83.3%	
			<i>(Note)</i>	
Revised annual cap	N/A	N/A		420,000
<i>Percentage of increment</i>	N/A	N/A		162.5%

*Note:* Utilization rate for the eight months ended 31 August 2013 is calculated based on the historical transaction amounts during such eight-month period and the existing annual caps for the year ending 31 December 2013.



## LETTER FROM THE BOARD

The above revised annual caps are determined with references to (i) the historical transaction amounts of the GB Trading Transactions during the eight months ended 31 August 2013; and (ii) the target sale volume of certain higher-end model passenger mini-buses, primarily the school buses, manufactured by Guilin Bus, which are substantially based on the parts and raw materials sourced from Wuling Industrial under the GB Sale Transactions, and are subsequently sold to the market through Wuling Industrial as the main sale agent under the GB Purchase Transactions. In addition, buffers of 7% and 8% on the expected GB Sale Transactions and the expected GB Purchase Transactions to cater for any unforeseeable circumstances, in particular for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, have also been included when considering the revised annual caps.

### **C. Reasons for the Second Revised GB Trading Agreement**

Guilin Bus is principally engaged in manufacturing and trading of vehicles, primarily passenger coaches and mini-buses.

The Group, including Wuling Industrial Group, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services in the PRC. As part of its trading business, the Group is engaged in the trading of raw materials and provision of a centralized procurement service in the supply chain to enjoy the benefit of bulk purchases with its customers and suppliers. The Group has supplied the parts and raw materials to Guilin Bus for its vehicles production since 2007 and in order to further develop and expand its product portfolio and business volume, the Group has also acted as a sale agent of the vehicles produced by Guilin Bus since 2008.

A business plan was originally formulated between Wuling Industrial and Guilin Bus, which was subsequently updated in relation to the execution of the First Revised GB Trading Agreement, in which the annual caps for the GB Trading Transactions set out therein were determined based on a production forecast provided by Guilin Bus, in particular for the number of the passenger mini-buses expected to be ordered by the customers (through Wuling Industrial Group) for each of the three years ending 31 December 2013. The original plan of GB Trading Transactions was mainly for other different types of mini-buses with small portion of school buses. Since then, the government of the PRC called a temporary halt for sale of new school buses in early 2012 in order to rectify the safety issues after a number of school bus crashes or accidents caused by overcrowding and speeding. In August 2012, Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) announced that Guilin Bus, and some of other school bus manufacturers, were authorized to sell certain types of their school buses which conform with the tightened safety requirements. The demand for such school buses produced by Guilin Bus, which have a higher average purchase price as compared to other similar models, has increased since 2013. As a result, the production forecast of Guilin Bus's passenger mini-buses (mainly for the school buses) was increased from the original plan of 2,900 vehicles to the revised plan of 4,600 vehicles for the year ending 31 December 2013 after government's temporary halt arrangement mentioned

## LETTER FROM THE BOARD

above. As the main sale agent of the vehicles produced by Guilin Bus, Wuling Industrial Group has continuously received orders from its customers. Both the GB Sale Transactions and the GB Purchase Transactions increased significantly in the eight months ended 31 August 2013 (both exceeded the respective total transaction amounts for the whole year ended 31 December 2012). Based on the customer orders on hand for the period from 1 September to 31 December 2013, there is (i) an increase in the orders from the customers (in particular for the higher-end model passenger mini-buses, primarily school buses) for the year ending 31 December 2013 as compared to the original business plan; (ii) related increases in the automotive components and accessories planned to be sourced by Guilin Bus from Wuling Industrial Group for manufacturing of such passenger mini-buses; and (iii) the anticipated continuous improvement in the sale of the higher-end model passenger mini-buses in the market, primarily school buses as a result of the reason mentioned above. Guilin Bus have amended the production forecast and the associated inventory level in line with the increasing production and sale volume, and revised the business plan with Wuling Industrial for the GB Sale Transactions, in which the annual cap for the GB Sale Transactions for the year ending 31 December 2013 was increased accordingly.

As mentioned above, being the main sale agent of Guilin Bus's passenger mini-buses, in view of the improvement of the sale of the higher-end model passenger mini-buses in the market in the recent months and customer orders on hand, Wuling Industrial anticipated that the purchases of such mini-buses, especially the higher-end models, from Guilin Bus for the year ending 31 December 2013 will increase. Accordingly, a revised business plan for the GB Purchase Transactions based on the increasing volume of purchases with a higher average purchase price has been formulated between Guilin Bus and Wuling Industrial, in which the annual cap for the GB Purchase Transactions for the year ending 31 December 2013 was increased accordingly.

Given that each of the GB Trading Transactions contemplated under the Second Revised GB Trading Agreement is in ordinary and usual course of business of the Group, will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available to/from Independent Third Parties, in particular the prices of the products under the GB Trading Transactions will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favourable than those available from/to Independent Third Parties, the Directors, including the independent non-executive Directors, consider that the terms, including the pricing basis and payment terms of each of the GB Trading Transactions and the revised annual caps (with the buffers mentioned above) for the GB Trading Transactions for the year ended 31 December 2013, of the Second Revised GB Trading Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

## LETTER FROM THE BOARD

### 5. IMPLICATIONS OF THE LISTING RULES

#### A. KE Purchase Transactions and Baomali Purchase Transactions

Liuzhou Wuling, being the controlling Shareholder of the Company, is beneficially interested in 100% of the total registered capital of KE Digital and approximately 42% of the total registered capital of Baomali. In this regard, KE Digital and Baomali are connected persons of the Company under the Listing Rules.

As both KE Digital and Baomali are associates of Liuzhou Wuling and Liuzhou Wuling is the controlling Shareholder and a connected person of the Company; and both of the Revised KE Purchase Agreement and Revised Baomali Purchase Agreement are relating to the purchase of items mainly used for manufacture of automobiles by Wuling Industrial Group, the respective revised annual caps under the Revised KE Purchase Agreement and Revised Baomali Purchase Agreement are required to be aggregated under Rule 14A.25 of the Listing Rules.

As one of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under the Revised KE Purchase Agreement and the Revised Baomali Purchase Agreement is, when aggregated and on an annual basis, more than 5%, such transactions constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### B. GB Trading Transactions

Liuzhou Wuling is beneficially interested in approximately 75.5% of the total registered capital of Guilin Bus. In this regard, Guilin Bus is a connected person of the Company under the Listing Rules.

As one of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under the Second Revised GB Trading Agreement is, on an annual basis, more than 25% and the annual consideration is more than HK\$10 million, such transactions constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Messrs. Sun Shaoli, Wei Hongwen and Zhong Xianhua, who are directors or senior manager of Liuzhou Wuling, have abstained from voting on the Board resolutions passed to approve the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement. Save as disclosed above, no other Director is regarded having a material interest in the KE Purchase Transactions, the Baomali Purchase Transactions and the GB Trading Transactions and were required to abstain from voting on the abovementioned Board resolutions.

The Directors confirm that they will closely monitor the KE Purchase Transactions, the Baomali Purchase Transactions and the GB Trading Transactions to ensure that the respective existing annual caps will not be exceeded before the approval of the Independent Shareholders

## **LETTER FROM THE BOARD**

is sought at the SGM in respect of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder.

In the event that any of the respective new and revised annual caps for the KE Purchase Transactions, the Baomali Purchase Transactions and the GB Trading Transactions as stated above exceeds or if the Group enters into any new agreements relating to continuing connected transactions with any connected persons in the future, the Company will comply with the relevant requirements under the Listing Rules.

### **6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all of the independent non-executive Directors, namely Messrs. Yu Xiumin, Zuo Duofu and Ye Xiang, has been established to consider and advise the Independent Shareholders as to the terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders set out on pages 21 to 22 of this circular.

The Board has appointed Proton Capital as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to consider the terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement, the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder. Your attention is drawn to the letter from Proton Capital to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 41 of this circular.

### **7. THE SGM**

The SGM will be convened at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 8 November 2013 at 3:00 p.m. to consider and, if thought fit, approve the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement, the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder.

The approval of the Independent Shareholders will be sought at the SGM by way of poll. The Company will announce the results of the poll in accordance with the Listing Rules following the SGM.

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

## LETTER FROM THE BOARD

### 8. VOTING ARRANGEMENT

As at the Latest Practicable Date, Wuling (HK) is directly interested in approximately 37.03% of the total issued share capital of the Company. Wuling (HK) is an associate of Liuzhou Wuling and shall therefore, abstain from voting at the SGM on resolutions to consider and approve the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder.

As at the Latest Practicable Date, as far as the Company is aware, having made all reasonable enquiries:

- (a) Wuling (HK) controlled or was entitled to exercise control over the voting rights in respect of its Shares;
- (b) (i) there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon Wuling (HK); and  
(ii) there were no obligation on or entitlement of Wuling (HK),

whereby Wuling (HK) had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to other third parties, either generally or on a case-by-case basis; and

- (c) there were no discrepancies between the beneficial shareholding interest of Wuling (HK) in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.

### 9. RECOMMENDATION

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

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular and the letter from Proton Capital set out on pages 23 to 41 of this circular containing their respective recommendations and advice in relation to the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement, the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder.

**LETTER FROM THE BOARD**

**10. FURTHER INFORMATION**

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

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



五菱汽車集團控股有限公司  
**WULING MOTORS HOLDINGS LIMITED**

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

22 October 2013

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISED ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS —  
(1) KE PURCHASE TRANSACTIONS;  
(2) BAOMALI PURCHASE TRANSACTIONS; AND  
(3) GB TRADING TRANSACTIONS**

We refer to the circular of the Company dated 22 October 2013 (the “**Circular**”) to the Shareholders of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meaning as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement (including the respective revised annual caps for the respective transactions contemplated thereunder), details of which are set out in the letter from the Board contained in the Circular. None of us has a material interest in the respective transactions contemplated under the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement.

Proton Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation thereto. Details of the advice and recommendation of Proton Capital, together with the principal factors taken into consideration by Proton Capital in arriving its advice and recommendation, are set out in the letter from Proton Capital on pages 23 to 41 of the Circular.

Having considered the respective terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement and the respective transactions contemplated thereunder, and the relevant advice and recommendation of Proton Capital, we are of the view that the terms of the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and the Second Revised GB Trading Agreement (including the respective revised annual caps for the respective transactions contemplated thereunder) are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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

Yours faithfully,  
For and on behalf of the Independent Board Committee

**Yu Xiumin**

**Zuo Duofu**

**Ye Xiang**

*Independent non-executive Directors*



## LETTER FROM PROTON CAPITAL

*Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the CCTs for the purpose of inclusion in this Circular.*



普頓資本有限公司  
PROTON CAPITAL LIMITED

Suite 06–07, 28/F.  
Shui On Centre  
6–8 Harbour Road  
Wanchai, Hong Kong

22 October 2013

*To: The independent board committee and the independent shareholders  
of Wuling Motors Holdings Limited*

Dear Sirs,

### **REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS — (1) KE PURCHASE TRANSACTIONS; (2) BAOMALI PURCHASE TRANSACTIONS; AND (3) GB TRADING TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised KE Purchase Agreement, the Revised Baomali Purchase Agreement and Second Revised GB Trading Agreement (altogether, the “**Revised CCT Agreements**”) and transactions contemplated thereunder (altogether, the “**CCTs**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 October 2013 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

#### **KE Purchase Transactions**

As the business development of Wuling Industrial Group for the eight months ended 31 August 2013 was better than budgeted and is expected to continue expanding in the remaining months of 2013 and the year ending 31 December 2014, it is expected that the existing annual caps for the KE Purchase Transactions will not be sufficient for the years ending 31 December 2013 and 2014. As a result, on 18 September 2013 (after trading hours), Wuling Industrial and KE Digital entered into the Revised KE Purchase Agreement, pursuant to which the annual caps for the KE Purchase Transactions will be revised to RMB11 million (equivalent to approximately HK\$14 million) and RMB15 million (equivalent to approximately HK\$19 million) for the years ending 31 December 2013 and 2014 respectively.

## LETTER FROM PROTON CAPITAL

### **Baomali Purchase Transactions**

As the business development of Wuling Industrial Group for the eight months ended 31 August 2013 was better than budgeted and is expected to continue expanding in the remaining months of 2013, it is expected that the existing annual cap for the Baomali Purchase Transactions will not be sufficient for the year ending 31 December 2013. As a result, on 18 September 2013 (after trading hours), Wuling Industrial and Baomali entered into the Revised Baomali Purchase Agreement, pursuant to which the annual cap for the Baomali Purchase Transactions will be revised to RMB14 million (equivalent to approximately HK\$18 million) for the year ending 31 December 2013.

### **GB Trading Transactions**

As the business developments of both Wuling Industrial Group and Guilin Bus for the eight months ended 31 August 2013 were better than budgeted and are expected to continue expanding in the remaining months of 2013, it is expected that the existing annual caps for the GB Trading Transactions will not be sufficient for the year ending 31 December 2013. As a result, on 18 September 2013 (after trading hours), Wuling Industrial and Guilin Bus entered into the Second Revised GB Trading Agreement, pursuant to which the annual caps for the GB Sale Transactions and the GB Purchase Transactions will be revised to RMB350 million (equivalent to approximately HK\$444 million) and RMB420 million (equivalent to approximately HK\$533 million) for the year ending 31 December 2013 respectively.

Given that each of KE Digital, Baomali and Guilin Bus is a connected person of the Company under the Listing Rules, each of the Revised CCT Agreements constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules. According to the Board Letter, each of the Revised CCT Agreements and the CCTs are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under the Listing Rules.

An Independent Board Committee comprising Mr. Yu Xiumin, Mr. Zuo Duofu and Mr. Ye Xiang (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of each the Revised CCT Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into each of the Revised CCT Agreements is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve each of the Revised CCT Agreements (including the revised annual caps) and the CCTs at the SGM. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

## LETTER FROM PROTON CAPITAL

### BASIS OF OUR OPINION

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

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, that having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading.

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

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

## LETTER FROM PROTON CAPITAL

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of each of the Revised CCT Agreements and the revised annual caps, we have taken into consideration the following principal factors and reasons:

#### Background of the Revised CCT Agreements

##### *Information on the Group*

With reference to the Board Letter and as advised by the Directors, the Group, including Wuling Industrial Group, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services in the PRC. As part of its trading business, the Group is engaged in the trading of raw materials and provision of a centralised procurement service in the supply chain to enjoy the benefit of bulk purchases with its customers and suppliers.

Set out below are the segmental information of the financial information on the Group for the six months ended 30 June 2013 and the two years ended 31 December 2012 as extracted from the interim report of the Company for the six months ended 30 June 2013 (the “**Interim Report**”) and the annual report of the Company for the year ended 31 December 2012 (the “**2012 Annual Report**”):

	<b>For the six months ended 30 June 2013</b>	<b>For the year ended 31 December 2012</b>	<b>For the year ended 31 December 2011</b>	<b>Change from 2011 to 2012</b>
	(unaudited)	(audited)	(audited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	6,489,908	11,856,125	10,908,602	8.69
— <i>Engines and related parts</i>	1,830,298	3,429,764	3,495,062	(1.87)
— <i>Automotive components and accessories</i>	3,294,432	5,670,782	5,049,561	12.30
— <i>Specialized vehicles</i>	1,034,725	1,696,641	1,474,644	15.05
— <i>Trading of raw materials, and provision of water and power supply</i>	326,532	1,058,732	888,108	19.21
— <i>Others</i>	3,921	206	1,227	(83.21)

The above table depicted that save for the segment of engines and related parts, the Group’s financial performance in all business segments improved from 2011 to 2012. The Group’s revenue for the six months ended 30 June 2013 also increased by approximately 8.18% as compared to the corresponding period in 2012.

## LETTER FROM PROTON CAPITAL

With reference to the Interim Report, the Group has been conscientiously undertaking the following strategies and programs:

- (i) technical re-engineering projects such as the specialization programs in our engines and automotive components divisions for the purpose of implementing vertical integration of the Group's existing products, as well as to supplying new lines of products to our core and new customers;
- (ii) business expansion programs aiming at other car manufacturers in the PRC to develop a healthy diversification of businesses of the Group's engines and parts division and automotive components and accessories division;
- (iii) various capacity expansion programs in the Group's automotive components and specialized vehicles divisions through the setup of the new production facilities, such as the larger projects in Qingdao and Liuzhou, as well as other minor scale projects in other geographical regions to enhance productivity and to increase capacity to cope with the increasing demands coming from the Group's core and new customers;
- (iv) strengthening of the technical capability through research and innovation with market oriented strategies to intensify new product development projects aiming at improving the Group's technical know-how and enhancing the overall profitability of the Group; and
- (v) certain upgrading and integration programs for the operations with the objective to improve efficiency and performance standard, as well as to contain cost of production in order to stay highly competitive in the market.

Through conscientious plans and efforts of the Group, the management of the Group is confident that the long term business potential in the PRC automobile industry will continue to be strengthened.

### *Information on KE Digital*

According to the Board Letter, KE Digital is principally engaged in (i) the research, development and provision of various kinds of services involving digital technology as well as other computer hardware and software know-how and technology; (ii) the design and production of various kinds of specialized moulds and equipment; and (iii) the design and production of various kinds of electronic devices and components for motor vehicles.

### *Information on Baomali*

According to the Board Letter, Baomali is principally engaged in: (i) the design, manufacture and sale of automotive air-conditioners, related parts and accessories and provision of related services; (ii) the import and export of ironware, plastics and merchandises; and (iii) the import and export of technologies.

## LETTER FROM PROTON CAPITAL

### *Information on Guilin Bus*

According to the Board Letter, Guilin Bus is principally engaged in manufacturing and trading of vehicles, primarily passenger coaches and mini-buses. Liuzhou Wuling is beneficially interested in approximately 75.5% of the total registered capital of Guilin Bus. The Group has supplied the parts and raw materials to Guilin Bus for its vehicles production since 2007 and in order to further develop and expand its product portfolio and business volume, the Group has also acted as a sale agent of the vehicles produced by Guilin Bus since 2008.

### *Industry overview*

With reference to the statistics of the National Bureau of Statistics of China, from 2007 to 2012, the PRC's gross domestic product ("GDP") increased at a compound annual growth rate ("CAGR") of approximately 14.28% and reached approximately RMB51,932.2 billion in 2012. We also noted from the China Association of Automobile Manufacturers ("CAAM") that from January 2013 to August 2013, (i) the PRC's automobile sales reached approximately 13.95 million units, representing an increase of approximately 11.81% as compared with the corresponding period in 2012; (ii) the passenger car sales in the PRC reached approximately 11.26 million units, representing an increase of approximately 13.08% as compared with the corresponding period in 2012; and (iii) the PRC's commercial vehicle sales reached approximately 2.69 million units, representing an increase of 6.78% as compared with the corresponding period in 2012.

With reference to the Board Letter, the government of the PRC called a temporary halt for sale of new school buses in early 2012 in order to rectify the safety issues after a number of school bus crashes or accidents caused by overcrowding and speeding. In August 2012, Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) announced that Guilin Bus, and some of other school bus manufacturers, were authorized to sell certain types of their school buses which conform with the tightened safety requirements.

### **Reasons for the entering into of the Revised CCT Agreements**

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

As certain products (primarily certain models of specialized vehicles, including the electric vehicles of the Group and the passenger mini-buses of Guilin Bus) require specific electronic devices and components designed and produced by KE Digital, the Group has to purchase such electronic devices and components from KE Digital for self-consumption in respect of the production of electric vehicles and, as a centralised procurement center, for resale to Guilin Bus (with or without further processing) which then uses such electronic devices and components to manufacture its passenger mini-buses and forms part of the GB Sale Transactions. A business plan was originally formulated between Wuling Industrial and KE Digital in relation to the execution of the KE Purchase Agreement in which the annual caps for the KE Purchase Transactions set out therein were determined based on a production forecast

## LETTER FROM PROTON CAPITAL

of Wuling Industrial and estimated orders from Guilin Bus for the three years ending 31 December 2014. Recently, there is an increase in orders from its customers, in particular Guilin Bus, for various kinds of electronic devices and components used in its passenger mini-buses for the period from 1 September 2013 to 31 December 2013. Such increase is primarily due to the increase in production forecast of Guilin Bus's passenger mini-buses from the original plan as detailed in the section headed "Revision of the existing annual caps for the GB Trading Transactions" of the Board Letter. The Directors expected that the trend of business growth will continue for the year ending 31 December 2014 based on increased sale volume from March 2013 to August 2013 and the expected increase in target sale volume for the remaining months of 2013. Wuling Industrial have amended the production forecast and revised the business plan (the "**Revised KE Plan**"), including the annual caps for the KE Purchase Transactions for the years ending 31 December 2013 and 2014, with KE Digital for the KE Purchase Transactions.

As certain products of the Group and the passenger mini-buses of Guilin Bus require the automotive air-conditioners, related parts and accessories designed and produced by Baomali, the Group has to purchase such products from Baomali for self-consumption in respect of the production of automotive components and accessories and, as a centralised procurement centre, for resale to Guilin Bus (with or without further proceed) which then uses such components and accessories to manufacture its passenger mini-buses and form parts of the GB Sale Transactions. A business plan was originally formulated between Wuling Industrial and Baomali in relation to the execution of the Baomali Purchase Agreement in which the annual caps for the Baomali Purchase Transactions set out therein were determined based on a production forecast of Wuling Industrial and estimated orders from Guilin Bus for the three years ending 31 December 2013. Recently, there is an increase in orders from its customers, in particular Guilin Bus, for various kinds of electronic devices and components used in its passenger mini-buses for the period from 1 September 2013 to 31 December 2013. Such increase is primarily due to the increase in production forecast of Guilin Bus's passenger mini-buses from the original plan as detailed in the section headed "Revision of the existing annual caps for the GB Trading Transactions" of the Board Letter. Wuling Industrial have amended the production forecast and revised the business plan (the "**Revised Baomali Plan**"), including the annual cap for the Baomali Purchase Transactions for the year ending 31 December 2013, with Baomali for the Baomali Purchase Transactions.

As part of its trading business, the Group is engaged in the trading of raw materials and provision of a centralised procurement service in the supply chain to enjoy the benefit of bulk purchases with its customers and suppliers. The Group has supplied the parts and raw materials to Guilin Bus for its vehicles production since 2007 and in order to further develop and expand its product portfolio and business volume, the Group has also acted as a sale agent of the vehicles produced by Guilin Bus since 2008.

A business plan was originally formulated between Wuling Industrial and Guilin Bus, which was subsequently updated in relation to the execution of the First Revised GB Trading Agreement, in which the annual caps for the GB Trading Transactions set out therein were determined based on a production forecast provided by Guilin Bus, in particular for the number of the passenger mini-buses expected to be ordered by the customers (primarily Wuling Industrial Group) for each of the three years ending 31 December 2013.

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Recently, due to: (i) an increase in the orders from the customers (primarily Wuling Industrial Group and in particular for the higher-end model passenger mini-buses, primarily school buses) for the year ending 31 December 2013; (ii) related increases in the automotive components and accessories planned to be sourced by Guilin Bus from Wuling Industrial Group; and (iii) the anticipated continuous improvement in the sale of the higher-end model passenger mini-buses in the market, primarily school buses, Guilin Bus have amended the production forecast and the associated inventory level in line with the increasing production and sale volume, and revised the business plan (the “**Revised GB Sale Plan**”) with Wuling Industrial for the GB Sale Transactions, in which the annual cap for the GB Sale Transactions for the year ending 31 December 2013 was increased accordingly.

Meanwhile, as the main sale agent of Guilin Bus’s passenger mini-buses, in view of the improvement of the sale of the higher-end model passenger mini-buses in the market in the recent months and customer orders on hand, Wuling Industrial anticipated that the purchases of such mini-buses, especially the higher-end models, from Guilin Bus for the year ending 31 December 2013 will increase. Accordingly, a revised business plan (the “**Revised GB Purchase Plan**”) for the GB Purchase Transactions, based on the increasing volume of purchases with a higher average purchase price has been formulated between Guilin Bus and Wuling Industrial, in which the annual cap for the GB Purchase Transactions, for the year ending 31 December 2013 was increased accordingly.

Based on the above reasons for the CCTs, we concur with the Directors that the CCTs are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

### **Principal terms of the Revised CCT Agreements**

The tables below summarise the major terms of each of the Revised CCT Agreements:

#### *Revised KE Purchase Agreement*

<b>Date:</b>	18 September 2013
<b>Parties:</b>	Wuling Industrial and KE Digital
<b>Revised caps:</b>	For the year ending 31 December 2013: RMB11,000,000 For the year ending 31 December 2014: RMB15,000,000

Save for the revision to the annual caps for the KE Purchase Transactions for each of the two years ending 31 December 2014 (the “**Revised KE Caps**”), all other terms and conditions of the Revised KE Purchase Agreement (as compared to the KE Purchase Agreement) remain unchanged.

With reference to the Board Letter, each of the KE Purchase Transactions contemplated under the Revised KE Purchase Agreement is in ordinary and usual course of business of the Group, will be negotiated on an arm’s length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those



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available from Independent Third Parties, in particular, the prices of the products under the KE Purchase Transactions will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favourable than those available from Independent Third Parties to the Group.

With reference to the Board Letter, payments for the purchase of electronic devices and components by the Group from KE Digital will be settled by way of cash or such manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the purchase documents to be entered into between Wuling Industrial and KE Digital.

The pricing for products supplied by KE Digital to Wuling Industrial will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin (which will be determined by reference to the prices of similar products supplied by KE Digital to other Independent Third Parties and the estimated profit margin earned by Wuling Industrial from the sale of the end products.

Standard control procedures over the purchasing activities of the Group, which comprise, inter alia, selection processes of suppliers, price determination processes of the cost of purchases, and quality evaluation processes of the purchases (the “**Purchase Control**”), were adopted and implemented on the KE Purchase Transactions in order to ensure the above payment terms and pricing basis of the KE Purchase Transactions will be on market terms which are no less favourable than those available from Independent Third Parties. Besides, the Group will also periodically request KE Digital to provide its costs and sale records of the products supplied to both the Group and other Independent Third Parties to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial from the sale of the end products.

In addition, the KE Purchase Transactions will be reviewed by the independent nonexecutive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the KE Purchase Transactions, will be set out in the Company’s next annual report following the occurrence of the KE Purchase Transactions. In order to facilitate the review process, KE Digital will also provide its relevant records to the auditors of the Company during their course of review.

### *Revised Baomali Purchase Agreement*

**Date:** 18 September 2013

**Parties:** Wuling Industrial and Baomali

**Revised cap:** For the year ending 31 December 2013: RMB14,000,000

Save for the revision to the annual cap for the Baomali Purchase Transactions for the year ending 31 December 2013 (the “**Revised Baomali Cap**”), all other terms and conditions of the Revised Baomali Purchase Agreement (as compared to the Baomali Purchase Agreement) remain unchanged.

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With reference to the Board Letter, each of the Baomali Purchase Transactions contemplated under the Revised Baomali Purchase Agreement is in ordinary and usual course of business of the Group, will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available from Independent Third Parties, in particular the prices of the products under the Baomali Purchase Transactions will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favourable than those available from Independent Third Parties to the Group.

With reference to the Board Letter, payments for the purchase of automotive air-conditioners, related parts and accessories by the Group from Baomali will be settled by way of cash or such manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the purchase documents to be entered into between Wuling Industrial and Baomali.

The pricing for products supplied by Baomali to Wuling Industrial will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin (which will be determined by reference to the estimated profit margin earned by Wuling Industrial from the sale of the end products).

The Purchase Control were adopted and implemented on the Baomali Purchase Transactions in order to ensure the above payment terms and pricing basis of the Baomali Purchase Transactions will be on market terms which are no less favourable than those available from Independent Third Parties. Besides, the Group will also periodically request Baomali to provide its costs and sale records of the products supplied to the Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial from the sale of the end products.

In addition, the Baomali Purchase Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the Baomali Purchase Transactions, will be set out in the Company's next annual report following the occurrence of the Baomali Purchase Transactions. In order to facilitate the review process, Baomali will also provide its relevant records to the auditors of the Company during their course of review.

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### *Second Revised GB Trading Agreement*

**Date:** 18 September 2013

**Parties:** Wuling Industrial and Guilin Bus

**Revised caps:** *GB Sale Transactions*

For the year ending 31 December 2013: RMB350,000,000

*GB Purchase Transactions*

For the year ending 31 December 2013: RMB420,000,000

Save for the revision to the annual caps for the GB Trading Transactions for the year ending 31 December 2013 (the “**Revised GB Sale Cap**” and the “**Revised GB Purchase Cap**”), all other terms and conditions of the Second Revised GB Trading Agreement (as compared to the First Revised GB Trading Agreement and the GB Trading Agreement) remain unchanged.

With reference to the Board Letter, each of the GB Trading Transactions contemplated under the Second Revised GB Trading Agreement is in ordinary and usual course of business of the Group, will be negotiated on an arm’s length basis and will be provided on normal commercial terms or on terms to the Group no less favourable than those available to/from Independent Third Parties, in particular the prices of the products under the GB Trading Transactions will be determined with reference to the market prices of similar products, and the payment terms will be on market terms which are no less favourable than those available from/to Independent Third Parties to/from the Group.

With reference to the Board Letter, both of payments for (i) the purchase of passenger mini-buses and its related accessories by the Group from Guilin Bus; and (ii) the sale of parts and raw materials by the Group to Guilin Bus, will be settled by way of cash or such manners as agreed by the parties and in accordance with the agreed timing and manners as specified in the purchase or sale documents to be entered into between Wuling Industrial and Guilin Bus.

The pricing for products supplied by Wuling Industrial to Guilin Bus will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin and will be determined no less favourable than those available to Independent Third Parties.

The pricing for products supplied by Guilin Bus to Wuling Industrial will be determined on the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin (which will be determined by reference to the estimated profit margin earned by Wuling Industrial from the sale of the end products and the prices of similar products available in the market obtained from the Group’s authorized distributors).

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The Purchase Control were adopted and implemented on the GB Purchase Transactions in order to ensure the above payment terms and pricing basis of the GB Purchase Transactions will be on market terms which are no less favourable than those available from Independent Third Parties. Besides, the Group will also periodically request Guilin Bus to provide its costs and sale records of the products supplied to the Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial from the sale of the end products and obtain the market prices of similar products from the Group's authorized distributors to assess the competitiveness of the prices charged by Guilin Bus.

For GB Sale Transactions, the Group has adopted its standard pricing policies (the "Sales Pricing Policies") in order to ensure the above payment terms and pricing basis of the GB Sale Transactions will be on market terms which are no less favourable than those available to Independent Third Parties, which comprise the charging of a reasonable profit margin over the cost of production. In this regard, the Group will conduct periodic review of the profit margins earned from the GB Sale Transaction as compared to the profit margins earned from products sold to other Independent Third Parties.

In addition, the GB Trading Transactions will be reviewed by the independent nonexecutive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the GB Trading Transactions, will be set out in the Company's next annual report following the occurrence of the GB Trading Transactions. In order to facilitate the review process, Guilin Bus will also provide its relevant records to the auditors of the Company during their course of review.

For our due diligence purpose, we have requested and obtained the Purchase Control and Sales Pricing Policies.

We noted that the Purchase Control requires, among others, (i) the finance department of Wuling Industrial to determine the target purchase price of products with reference to the total purchase cost; (ii) the purchase department of Wuling Industrial to negotiate or conduct bidding exercise with suppliers based on the target purchase price; and (iii) in the event that the target purchase price could not be agreed, the finance department and purchase department of Wuling Industrial will consider to adjust the target purchase price and/or seek for other suppliers.

In addition, we noted that the Sales Pricing Policies requires, among others, (i) sale department of Wuling Industrial to collect price information for the same/similar sale products provided by competitors in the market and analyse the aforesaid information; (ii) finance department of Wuling Industrial, with the support from purchase department, technique department and manufacture department of Wuling Industrial, to evaluate the total cost of the sale products; and (iii) an price determination committee to be established to determine the price of the sale products with the aforesaid market and cost information.

As confirmed by the Directors, the Purchase Control and Sales Pricing Policies applied to transactions with Independent Third Parties to the Group as well as transactions with connected persons of the Company (including the CCTs).

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Having review and discuss with the Directors regarding the Purchase Control and Sales Pricing Policies and also taking into account the aforesaid periodic review of each of the CCTs, we are of the view that there are sufficient control to ensure that each of the CCTs will be conducted on normal commercial terms (including the pricing basis) which are no less favourable than those available from Independent Third Parties to the Group.

Pursuant to Rule 14A.37 of the Listing Rules, each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report and accounts that the transactions have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. With reference to the 2012 Annual Report and as confirmed by the Directors, the independent non-executive Directors had made the aforesaid confirmation for the KE Purchase Transactions, the Baomali Purchase Transactions and the GB Trading Transactions for the year ended 31 December 2012.

Furthermore, we noted that, the independent auditor of the Company had performed certain agree-upon procedures on the continuing connected transactions of the Company, among other things, the KE Purchase Transactions, the Baomali Purchase Transactions and the GB Trading Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter of Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants and confirmed that the continuing connected transactions of the Company, among other things, the KE Purchase Transactions, the Baomali Purchase Transactions and the GB Trading Transactions during the year ended 31 December 2012: (i) have received the approval of the Board; (ii) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company; (iii) have been entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the cap disclosed in previous announcement(s).

In light of all of the above, we concur with the Directors that the terms of the KE Purchase Agreement (as supplemented by the Revised KE Purchase Agreement), the Baomali Purchase Agreement (as supplemented by the Revised Baomali Purchase Agreement) and the GB Trading Agreement (as supplemented by the First Revised GB Trading Agreement and the Second Revised GB Trading Agreement) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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**Basis of the revised annual caps of the CCTs**

*Revised KE Caps*

Set out below is a summary of (i) the historical transaction amounts of each of the KE Purchase Transactions during the year ended 31 December 2012 and the eight months ended 31 August 2013; (ii) the existing annual caps for the KE Purchase Transactions for each of the three years ending 31 December 2014; and (iii) the Revised KE Caps:

	<b>Year ended 31 December 2012</b>	<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December</b>	
	(audited)	(unaudited)	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	3,477	5,336	—	—
Existing annual caps	7,000	—	7,000	7,000
Revised KE Caps	—	—	11,000	15,000

With reference to the Board Letter, the Revised KE Caps were determined with references to (i) the historical transaction amounts of the KE Purchase Transactions during the eight months ended 31 August 2013; and (ii) the target sale volume of certain products, primarily certain models of specialized vehicles, manufactured by Wuling Industrial Group and passenger mini-buses sourced from Guilin Bus, for the two years ending 31 December 2014.

In assessing the fairness and reasonableness of the Revised KE Caps, we have discussed with the Directors regarding the underlying bases and assumptions for the Revised KE Caps. For due diligence purpose, we have also obtained (i) the Revised KE Plan which contains the Revised KE Caps; and (ii) amount and breakdown of estimated purchase orders to be executed by Wuling Industrial Group for the year ending 31 December 2013. We noted from the Revised KE Plan that the Revised KE Caps for the two years ending 31 December 2014 are substantiated by the aggregate of the historical amount of the KE Purchase Transactions for the eight months ended 31 August 2013, the estimated purchase orders to be executed by Wuling Industrial Group for the year ending 31 December 2013, the estimated growth rate of the KE Purchase Transactions amount in the year ending 2014 and a moderate buffer on the expected KE Purchase Transactions to cater for any unforeseeable circumstances, in particular, for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, in the two years ending 31 December 2014. We have further noted that the Revised KE Caps for the year ending 31 December 2014 increased approximately 36% as compared to the Revised KE Caps for the year ending 31 December 2013. As advised by the Directors, the basis of the 36% growth rate is determined with reference to the average monthly transaction amount from March 2013 up to August 2013 and the projected volume of two additional electronic devices and components to be supplied by KE Digital in 2014.

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Upon our further enquiries, the Directors advised us that the specific electronic devices and components designed and produced by KE Digital which are the subjects under the KE Purchase Transactions are also applied for (i) the production of the parts to be supplied by Wuling Industrial Group to Guilin Bus; and (ii) reselling to Guilin Bus, for its vehicles production. Furthermore, we have noted from CAAM that Liuzhou Wuling and its subsidiaries had a market share of approximately 49% for school bus market during the first quarter of 2013 (28% for the year ended 31 December 2012). Having considered that (i) the demand for school buses produced by Guilin Bus increased since 2013 (the sales of school buses for the eight months ended 31 August 2013 was substantially increased by over 60% as compared to the corresponding period in 2012); (ii) the positive outlook of the PRC economy as well as the growth of vehicle industry in the PRC as set out in the section headed “Industry overview” above; and (iii) the outstanding market share of Liuzhou Wuling and its subsidiaries during the first quarter of 2013 (the “**Favourable Factors**”), we consider that the growth rate as well as the buffer of the Revised KE Caps for the year ending 31 December 2014 is acceptable.

### *Revised Baomali Cap*

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(audited)	(audited)	(unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	1,779	3,468	3,613	—
Existing annual caps	3,200	4,000	—	5,800
Revised Baomali Cap	—	—	—	14,000

With reference to the Board Letter, the Revised Baomali Cap was determined with references to (i) the historical transaction amounts of the Baomali Purchase Transactions during the eight months ended 31 August 2013; and (ii) the target sale volume of certain products, primarily certain models of specialized vehicles manufactured by Wuling Industrial Group and passenger mini-buses sourced from Guilin Bus for the year ending 31 December 2013.

In assessing the fairness and reasonableness of the Revised Baomali Cap, we have discussed with the Directors regarding the underlying bases and assumptions for the Revised Baomali Cap. For due diligence purpose, we have also obtained (i) the Revised Baomali Plan which contains the Revised Baomali Cap; and (ii) amount and breakdown of estimated purchase orders to be executed by Wuling Industrial Group for the year ending 31 December 2013. We noted from the Revised Baomali Plan that the Revised Baomali Caps for the year ending 31 December 2013 is substantiated by the aggregate of the historical amount of the Baomali Purchase Transactions for the eight months ended 31 August 2013, the estimated purchase orders to be executed by Wuling Industrial Group for the year ending 31 December 2013 and a moderate buffer on the expected Baomali Purchase Transactions to cater for any

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unforeseeable circumstances, in particular, for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, for the year ending 31 December 2013.

Upon our further enquiries, the Directors advised us that the automotive air-conditioners, related parts and accessories designed and produced by Baomali which are the subjects under the Baomali Purchase Transactions are also applied for (i) the production of the parts to be supplied by Wuling Industrial Group to Guilin Bus; and (ii) reselling to Guilin Bus, for its vehicles production. Having considered the Favourable Factors as aforementioned, we consider that the growth rate as well as the buffer of the Revised Baomali Caps for the year ending 31 December 2013 is acceptable.

*Revised GB Sale Cap and Revised GB Purchase Cap*

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(audited)	(audited)	(unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	67,572	108,050	135,612	—
Existing annual caps	80,000	110,000	—	150,000
Revised GB Sale Cap	—	—	—	350,000

	<b>Year ended 31 December</b>		<b>Eight months ended 31 August 2013</b>	<b>Year ending 31 December 2013</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2013</b>
	(audited)	(audited)	(unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	89,397	159,973	183,328	—
Existing annual caps	120,000	160,000	—	220,000
Revised GB Purchase Cap	N/A	N/A	—	420,000

With reference to the Board Letter, the Revised GB Sale Cap and the Revised GB Purchase Cap were determined with references to (i) the historical transaction amounts of the GB Trading Transactions during the eight months ended 31 August 2013; and (ii) the target sale volume of certain higher-end model passenger mini-buses, primarily the school buses for the year ending 31 December 2013. These higher-end model passenger mini-buses are manufactured by Guilin Bus, which are substantially based on the parts and raw materials



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sourced from Wuling Industrial under the GB Sale Transactions, and are subsequently sold to the market through Wuling Industrial as the main sale agent under the GB Purchase Transactions.

In assessing the fairness and reasonableness of the Revised GB Sale Cap and the Revised GB Purchase Cap, we have discussed with the Directors and were given to understand that Guilin Bus would like to source parts and raw materials from the Wuling Industrial Group for the production of passenger mini-buses; while the Wuling Industrial Group would like to act as a sale agent of the passenger mini-buses produced by Guilin Bus. In addition, we have discussed with the Directors regarding the underlying bases and assumptions for the Revised GB Sale Cap and the Revised GB Purchase Cap. For due diligence purpose, we have also obtained (i) the Revised GB Sale Plan which contains the Revised GB Sale Cap; and (ii) the Revised GB Purchase Plan which contains the Revised GB Purchase Cap; and (iii) amount of estimated sale and purchase orders to be executed by Wuling Industrial Group for the year ending 31 December 2013 (the “**Estimated GB Orders**”). We noted (i) from the Revised GB Sale Plan that the Revised GB Sale Cap for the year ending 31 December 2013 is substantiated by the aggregate of the historical amount of the GB Sale Transactions for the eight months ended 31 August 2013, the estimated sale orders to be executed by Wuling Industrial Group for the year ending 31 December 2013 and a moderate buffer on the expected GB Sale Transactions to cater for any unforeseeable circumstances, in particular, for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, for the year ending 31 December 2013; and (ii) from the Revised GB Purchase Plan that the Revised GB Purchase Cap for the year ending 31 December 2013 is substantiated by the aggregate of the historical amount of the GB Purchase Transactions for the eight months ended 31 August 2013, the estimated purchase orders to be executed by Wuling Industrial Group for the year ending 31 December 2013 and a moderate buffer on the expected GB Purchase Transactions to cater for any unforeseeable circumstances, in particular for any unexpected market fluctuations, change in government policies on automobile industry, fluctuation in raw material costs and increase in labour cost, for the year ending 31 December 2013. In addition, we also noted that the Estimated GB Orders are in line with the increase in production forecast of Guilin Bus’s passenger mini-buses (i.e. from 2,900 vehicles to 4,600 vehicles) for the year ending 31 December 2013 and the higher average purchase price formulated between Guilin Bus and Wuling Industrial.

With reference to the Interim Report, supported by the continuous growth in the local economy, the automobile industry in the PRC maintained its momentum of growth during the six months ended 30 June 2013. Total number of motor vehicles sold in the PRC increased steadily by 12.3% as compared to the corresponding period in last year and reached 10.8 million vehicles.

Having considered (i) that Guilin Bus were authorized to sale certain types of their school buses; and (ii) the Favourable Factors as aforementioned, we consider that the growth rate as well as the buffers of the Revised GB Sale Cap and Revised GB Purchase Cap is acceptable.

In light of (i) the foregoing basis of the revised annual caps for each of the Revised CCT Agreements; (ii) the business growth of the Group; (iii) the positive outlook of the PRC economy as well as the growth of vehicle industry in the PRC as set out in the section headed

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“Industry overview” above; and (iv) the high utilization rate of the existing annual caps for the CCTs as shown in the Board Letter, we concur with the Directors that each of the revised annual caps of the CCTs (i.e. the Revised KE Caps, the Revised Baomali Cap, the Revised GB Purchase Cap and the Revised GB Sale Cap) are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the revised annual caps of the CCTs are relating to future events and are estimated based on assumptions which may or may not remain valid for the period up to 31 December 2014, and they do not represent forecasts of revenue nor purchase to be generated/incurred from each of the CCTs. Consequently, we express no opinion as to how closely the actual revenue or purchase to be generated/incurred under each of the CCTs will correspond with the revised annual caps of the CCTs.

### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.37 to 14A.41 of the Listing Rules pursuant to which (i) the values of the transactions contemplated under the each of the Revised CCT Agreements must be restricted by the revised annual caps for the year ending 31 December 2013 and the year ending 31 December 2014 (as the case may be); (ii) the terms of each of the Revised CCT Agreements (together with the revised annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors’ annual review on the terms of each of the Revised CCT Agreements (together with the revised annual caps) must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under each of the Revised CCT Agreements are carried out in accordance with the pricing policies of the Company, and the revised annual caps are not being exceeded. In the event that the total amounts of the transactions contemplated under each of the Revised CCT Agreements exceed the revised annual caps, or that there is any material amendment to the terms of each of the Revised CCT Agreements, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the each of the Revised CCT Agreements and hence the interest of the Independent Shareholders would be safeguarded.

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**RECOMMENDATION**

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the each of the Revised CCT Agreements (including the revised annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of each of the Revised CCT Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve each of the Revised CCT Agreements (together with the revised annual caps) and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**Proton Capital Limited**  
**Graham Lam**

*Managing Director — Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### Directors and chief executive of the Company

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

(i) Long positions in respect of the Shares

Name of Directors	Capacity	Number of Shares held	Approximate % of the issued share capital
Mr. Lee Shing (Notes 1 and 4)	Interest in controlled corporation	281,622,914	24.05%
Mr. Zhou Sheji (Notes 2 and 5)	Interest in controlled corporation	44,770,000	3.82%
Mr. Wei Hongwen (Note 6)	Beneficial owner	200,000	0.02%

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

Name of Directors	Capacity	Number of Options held	Exercise Period	Subscription price per Share	Approximate % of the issued share capital
Mr. Sun Shaoli	Beneficial Owner	906,818	From 21 January 2011 to 31 December 2013	HK\$1.062	
		3,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>3,906,818</u>			0.33%
Mr. Lee Shing	Beneficial Owner (Note 4)	906,818	From 21 January 2011 to 31 December 2013	HK\$1.062	
		3,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>3,906,818</u>			0.33%
	Family interest (Note 3)	352,651	From 21 January 2011 to 31 December 2013	HK\$1.062	
		1,600,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,952,651</u>			0.17%
Mr. Wei Hongwen	Beneficial Owner (Note 6)	806,060	From 21 January 2011 to 31 December 2013	HK\$1.062	
		3,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>3,806,060</u>			0.33%
Mr. Zhong Xianhua	Beneficial Owner	705,303	From 21 January 2011 to 31 December 2013	HK\$1.062	
		2,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>2,705,303</u>			0.23%
Ms. Liu Yaling	Beneficial Owner	806,060	From 21 January 2011 to 31 December 2013	HK\$1.062	
		2,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>2,806,060</u>			0.24%

Name of Directors	Capacity	Number of Options held	Exercise Period	Subscription price per Share	Approximate % of the issued share capital
Mr. Zhou Sheji	Beneficial Owner (Note 5)	705,303	From 21 January 2011 to 31 December 2013	HK\$1.062	
		2,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>2,705,303</u>			0.23%
Mr. Yu Xiumin	Beneficial Owner	604,545	From 21 January 2011 to 31 December 2013	HK\$1.062	
		1,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,604,545</u>			0.14%
Mr. Zuo Duofu	Beneficial Owner	604,545	From 21 January 2011 to 31 December 2013	HK\$1.062	
		1,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,604,545</u>			0.14%
Mr. Ye Xiang	Beneficial Owner	604,545	From 21 January 2011 to 31 December 2013	HK\$1.062	
		1,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,604,545</u>			0.14%

## Notes:

- (1) The 281,622,914 Shares are currently held by Dragon Hill Development Limited (“**Dragon Hill**”), a company wholly-owned by Mr. Lee Shing.
- (2) The 44,770,000 Shares are owned by Gao Bao Development Limited, a company wholly-owned by Mr. Zhou Sheji.
- (3) The 1,952,651 Options are held by the spouse of Mr. Lee Shing.
- (4) Mr. Lee Shing is in aggregate interested in 281,622,914 Shares and 5,859,469 Options, representing approximately 24.55% of the total issued share capital of the Company.
- (5) Mr. Zhou Sheji is in aggregate interested in 44,770,000 Shares and 2,705,303 Options, representing approximately 4.05% of the total issued share capital of the Company.
- (6) Mr. Wei Hongwen is in aggregate interested in 200,000 Shares and 3,806,060 Options, representing approximately 0.35% of the total issued share capital of the Company.

**Substantial Shareholders**

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

*Long Positions*

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Nature of interest</b>	<b>Number of ordinary shares</b>	<b>Approximate % of the issued share capital</b>
Dragon Hill (Note 1)	Beneficial owner	Corporate	281,622,914	24.05%
Mr. Lee Shing	Interest in controlled corporation (Note 1)	Corporate	281,622,914	24.05%
	Beneficial owner (Note 2)	Options	3,906,818	0.33%
	Interest held by spouse (Note 2)	Family/ Options	1,952,651	0.17%
		Total	<u>287,482,383</u>	<u>24.55%</u>
Wuling (HK) (Notes 3 and 4)	Beneficial owner	Corporate	433,651,975	37.03%
		Unlisted derivatives	136,986,300	11.70%
		Total	<u>570,638,275</u>	<u>48.73%</u>

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (Notes 3 and 4)	Interest in controlled corporation	Corporate	433,651,975	37.03%
		Unlisted derivatives	136,986,300	11.70%
		Total	<u>570,638,275</u>	<u>48.73%</u>
Liuzhou Wuling (Notes 3 and 4)	Interest in controlled corporation	Corporate	433,651,975	37.03%
		Unlisted derivatives	136,986,300	11.70%
		Total	<u>570,638,275</u>	<u>48.73%</u>

## Notes:

- (1) The entire issued share capital of Dragon Hill is legally and beneficially owned by Mr. Lee Shing, an executive Director. Accordingly, the Shares held by Dragon Hill has also been disclosed as long position of Mr. Lee Shing in the above table.
- (2) These represent the Options held by Mr. Lee Shing and his spouse.
- (3) The entire issued share capital of Wuling (HK) is held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is held by Liuzhou Wuling. Accordingly, Wuling Motors and Liuzhou Wuling are deemed to be interested in the Shares held by Wuling (HK) under the SFO.
- (4) The unlisted derivatives referred to 136,986,300 Shares issuable to Wuling (HK) upon exercise in full of the conversion rights attached to the existing convertible notes with a principal amount of HK\$100,000,000 at the existing conversion price of HK\$0.73 per Share (subject to adjustments).



### **3. COMPETING INTEREST**

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Company.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2012, the date of which the latest published audited accounts of the Company were made up.

### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract with any member of the Group, which did not expire or was not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

### **6. INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, (i) none of the Directors had any interest in any assets which had been since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

### **7. LITIGATION**

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

## 8. QUALIFICATION, CONSENT AND INTEREST OF EXPERT

The following is the qualification of Proton Capital, which has given its opinion or advice for inclusion in this circular:

<b>Name</b>	<b>Qualification</b>
Proton Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Proton Capital did not have:

- (a) any direct or indirect interest in any assets which have since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Proton Capital has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

## 9. GENERAL

- (i) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (ii) The company secretary of the Company, Mr. Lai Shi Hong, Edward, is a member of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales, and a fellow member of the Association of Chartered Certified Accountants.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iv) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekday other than public holidays for a period of 14 days or up to the date of the SGM, whichever is longer:

- (i) the Revised KE Purchase Agreement;
- (ii) the Revised Baomali Purchase Agreement;
- (iii) the Second Revised GB Trading Agreement;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (v) the letter from Proton Capital, the text of which is set out on pages 23 to 41 of this circular; and
- (vi) the written consent of Proton Capital referred to under the section headed “Qualification, consent and interest of expert” in this appendix.



五菱汽車集團控股有限公司  
**WULING MOTORS HOLDINGS LIMITED**

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

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Special General Meeting of Wuling Motors Holdings Limited (the “**Company**”) will be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, on Friday, 8 November 2013 at 3:00 p.m., for the following purposes:

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

1. “**THAT**

- (a) the Revised KE Purchase Agreement dated 18 September 2013 (copy of which has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and the proposed revised annual caps of the Revised KE Purchase Agreement be and are hereby approved, confirmed and ratified; and
- (b) the Board be and is hereby authorized to take all such actions as it considers necessary or desirable to implement and give effect to the Revised KE Purchase Agreement and the transactions contemplated thereunder.”

2. “**THAT**

- (a) the Revised Baomali Purchase Agreement dated 18 September 2013 (copy of which has been produced to this meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and the proposed revised annual cap of the Revised Baomali Purchase Agreement be and are hereby approved, confirmed and ratified; and
- (b) the Board be and is hereby authorized to take all such actions as it considers necessary or desirable to implement and give effect to the Revised Baomali Purchase Agreement and the transactions contemplated thereunder.”

3. “**THAT**

- (a) the Second Revised GB Trading Agreement dated 18 September 2013 (copy of which has been produced to this meeting marked “C” and signed by the Chairman of the meeting for the purpose of identification) and the transactions

## NOTICE OF SGM

contemplated thereunder and the proposed revised annual caps of the Second Revised GB Trading Agreement be and are hereby approved, confirmed and ratified; and

- (b) the Board be and is hereby authorized to take all such actions as it considers necessary or desirable to implement and give effect to the Second Revised GB Trading Agreement and the transactions contemplated thereunder.”

For the purposes of these resolutions, the terms “Revised KE Purchase Agreement”, “Revised Baomali Purchase Agreement” and “Second Revised GB Trading Agreement” shall have the same definitions as defined in the circular to the shareholders of the Company dated 22 October 2013.”

On behalf of the Board  
**Wuling Motors Holdings Limited**  
**Sun Shaoli**  
*Chairman*

Hong Kong, 22 October 2013

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

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting (or at any adjournment thereof) shall be entitled to appoint one or more proxies to attend and vote, on a poll, on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use in connection with the above meeting is enclosed and such form is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority must be delivered to the Company’s Hong Kong branch share registrar, Tricor Tengis limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the above meeting (or at any adjournment thereof). Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Shareholders are advised to read the circular to the shareholders of the Company dated 22 October 2013 which contains information concerning the resolution to be proposed in this notice.
4. All votes on the resolution in this notice to be proposed at the meeting shall be conducted by way of poll.